No. _____ Supreme Court, U.S.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

VERSA PRODUCTS COMPANY, INC.,

Petitioner,

—v.—

BIFOLD COMPANY (MANUFACTURING) LTD.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the new and modified factors adopted by the Third Circuit for demonstrating the existence of a "likelihood of confusion" under Section 43(a) of the Lanham Act, 15 U.S.C § 1125(a), are in conflict with and contradict the decisions of all other United States Circuit Courts and result in a lack of uniformity in the Federal law in that the Third Circuit alone now applies a different and unequal set of factors to "product configuration" trade dress cases than is applied to trademark cases and "product packaging" trade dress cases?

2. Whether the Third Circuit's novel and unique distinction between "product configuration" trade dress and "product packaging" trade dress in analyzing the Federal unfair competition/unfair imitation protections of the Lanham Act conflicts with the intent of this Court and undermines its decision in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753 (1992)?

3. Whether the new standards adopted by the Third Circuit in the instant case applicable to "product configuration" trade dress have rendered it virtually impossible for a plaintiff in the Third Circuit to demonstrate a "likelihood of confusion" pursuant to Section 43(a) of the Lanham Act, thus eliminating the unfair competition/unfair imitation protections intended by Congress?

4. Whether the Third Circuit erred in vacating the District Court's permanent injunction enjoining the production and sale of defendant's infringing "knockoff" valve product and in ruling that the District Court's finding of a likelihood of confusion is clearly erroneous when the consequences of confusing plaintiff's product and defendant's product could easily result in loss of life and environmental catastrophe on an offshore oil rig?

PARTIES

The parties named in the caption are the only parties to this action.

Pursuant to Supreme Court Rule 29.1 petitioner Versa Products Company, Inc. states that it has no parent or subsidiary companies.

TABLE OF CONTENTS

	PAGE
QUESTIONS PRESENTED	i
PARTIES	ii
TABLE OF AUTHORITIES	v
I. OPINIONS BELOW	1
II. JURISDICTION	2
III. STATUTES INVOLVED	2
IV. STATEMENT OF THE CASE	3
V. ARGUMENT—REASONS FOR ALLOWING THE WRIT	5
A. The Opinion Of The Third Circuit Conflicts With The Opinions Of Other Circuit Courts	5
B. The Distinction Created By The Third Circuit Concerning "Product Configuration" Trade Dress Is In Conflict With This Court's Decision In *Two Pesos, Inc. v. Taco Cabana, Inc.*	9
C. The Third Circuit's Amended Analysis For Use In "Product Configuration" Trade Dress Cases Has Rendered It Virtually Impossible To Demonstrate A Likelihood Of Confusion In The Third Circuit And, Therefore, Has All But Eliminated Lanham Act Protections For "Product Configuration" Trade Dress.	12

PAGE

D. When Human Life And Far-Reaching Environmental Concerns Are At Issue, These Factors Must Be Weighed In The Likelihood of Confusion Analysis..... 23

VI. CONCLUSION..... 25

TABLE OF AUTHORITIES

Cases: PAGE

American Greetings Corp. v. Dan-Dee Imports, 807 F.2d 1136 (3d Cir. 1986) 5

Aronson v. Quik Point Pencil Co., 440 U.S. 257 (1979) 18

Badger Meter, Inc. v. Grinnell Corp., 13 F.3d 1145 (7th Cir. 1994) 6, 13, 15, 21

Bauer Lamp Co., Inc. v. Shaffer, 941 F.2d 1165 (11th Cir. 1991) 6

Blue Bell Bio-Medical v. Cin-Bad, Inc., 864 F.2d 1253 (5th Cir. 1989) 17

Brunswick Corp. v. Spinit Reel Co., 832 F.2d 513 (10th Cir. 1987) 6, 14, 21

Compco Corp. v. Day-Bright Lighting, Inc., 376 U.S. 234 (1964) 17, 18

Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd., 40 F.3d 1431 (3d Cir. 1994) 10, 16

Esercizio v. Roberts, 944 F.2d 1235 (6th Cir. 1991), *cert. denied*, ___ U.S. ___, 112 S.Ct. 3028 (1992) 6, 13, 15, 16, 21, 22

Ford Motor Co. v. Summit Motor Prods., Inc., 930 F.2d 277 (3d Cir. 1991) 13

Ideal Toy Corp. v. Plawner Toy Mfg. Corp, 685 F.2d 78 (3d Cir. 1982) 5

Knorr-Nahrmittel A.G. v. Reese Finer Foods, Inc., 695 F.Supp. 787 (D.N.J. 1988) 3

PAGE

Kohler Co. v. Moen, Inc., 12 F.3d 632 (7th Cir. 1993) 18, 19, 20

LeSportsac, Inc. v. K Mart Corp., 754 F.2d 71 (2d Cir. 1985) 5, 14, 21

Merriam Webster, Inc. v. Random House, Inc., 35 F.3d 65 (2d Cir. 1994) 6

Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189 (1985) 10, 18

Payless Shoesource, Inc. v. Reebok International, Ltd., 998 F.2d 985 (Fed. Cir. 1993) 13, 15, 21, 22

Qualitex Co. v. Jacobson Products Co., Inc., 13 F.3d 1297 (9th Cir. 1994), reversed ___ U.S. ___, 115 S.Ct. 40 (1995) 17

S,K & F Co. v. Premo Pharmaceutical Labs, Inc., 625 F.2d 1055 (3d Cir. 1980) 18

Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225 (3d Cir. 1978) ..... *passim*

Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 84 S.Ct. 784 (1964) 17, 18

Sno-Wizard Mfg., Inc. v. Eisemann Products Co., 791 F.2d 423 (5th Cir. 1986) 6

Stuart Hall Company, Inc. v. Ampad Corp., ___ F.3d ___, 63 U.S.L.W. 2653, 1995 WL 150476 (Dk. No. 94-2618) (8th Cir. 1995) 11, 12

Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. ___, 112 S.Ct. 2753 (1992) ..... *passim*

Versa Products Company, Inc. v. Bifold (Manufacturing) Ltd., ___ F.3d ___, 33 U.S.P.Q. 2d 1801 (3d Cir. 1995) ..... *passim*

PAGE

Vision Sports, Inc. v. Melville Corp., 888 F.2d 609 (9th Cir. 1989) 6, 14, 21, 22

Statutes and Rules:

Section 43(a) of The Lanham Act, 15 U.S.C. § 1125(a) ..... *passim*

28 U.S.C. § 1254(a) 2

28 U.S.C. § 1331 3

Miscellaneous:

92 Cong. Rec. 7524 (1946) 8

H.R. Rep. No. 944, 76th Cong., 1st Sess., 4 (1939) ... 8

1 J. Gilson, Trademark Protection and Practice Sec. 2.13, p. 2-178 (1991) 5

S. Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946) 10, 21

United States Trademark Association Trademark Review Commission Report and Recommendations, 77 Trademark Rep. 375 (1987)..... 8

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PETITION FOR WRIT OF CERTIORARI

Petitioner Versa Products Company, Inc. respectfully prays that a writ of certiorari issue to review the Judgment and Opinion of the United States Court of Appeals for the Third Circuit entered February 15, 1995.

I. OPINIONS BELOW

The opinion of the United States Court of Appeals for the Third Circuit is now reported at 33 U.S.P.Q. 2d 1801 (3d. Cir. 1995) and appears in Appendix B to this Petition (3a[1] to 51a).

[1] "3a" refers to page 3a of the Petitioner's Appendix to this Petition for Writ of Certiorari.

The Opinion of the United States District Court for the District of New Jersey is now reported at 1994 WL 732302, and appears as Appendix D to this Petition (63a to 137a).

II. JURISDICTION

The Opinion of the United States Court of Appeals for the Third Circuit was filed on February 15, 1995. The jurisdiction of this Court is invoked pursuant to Title 28, U.S.C. § 1254(1).

III. STATUTES INVOLVED

The statute involved in this Petition is §43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1), which provides in full as follows:

> **§ 1125. False designations of origin and false descriptions forbidden**
>
> (a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading misrepresentation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

IV. STATEMENT OF THE CASE

The United States District Court for the District of New Jersey had jurisdiction pursuant to 28 U.S.C. § 1331 as a civil action involving a federal question arising under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

Petitioner, Versa Products Company, Inc. ("Versa") of Paramus, New Jersey, designs and sells a wide variety of directional control valves, including its distinctively shaped and widely recognized cast "B-316" valve, which it has successfully produced and marketed in the United States since 1983. The vast majority of these valves are sold as crucial components for emergency shutdown control panels that open and close pipelines on offshore oil rigs. Upon learning that Respondent, Bifold Company (Manufacturing) Ltd. ("Bifold") of Wigan, England, had purposely, knowingly and intentionally created an exact copy or "knockoff" of the Versa "B-316" valve in the Bifold DOMINO JUNIOR valve and had begun offering that knockoff for sale in the United States in 1993, Versa demanded in writing that Bifold immediately cease and desist that unfair trade practice. When Bifold refused, Versa filed this action under § 43(a) of the Lanham Act (15 U.S.C. § 1125(a)), which prohibits unfair competition through the unprivileged imitation of a competitive product's trade dress.[2] Versa filed its action prior to any actual sales by Bifold of the infringing DOMINO JUNIOR valve to United States customers and Bifold agreed not to sell its DOMINO JUNIOR valves in the United States while this action was

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[2] Trade dress is the term commonly given to the overall design or appearance of a product or its packaging. *Knorr-Nahrmittel A.G. v. Reese Finer Foods, Inc.*, 695 F.Supp. 787 (D.N.J. 1988).

pending. The matter was tried in a bench trial before the Honorable Alfred J. Lechner, Jr., U.S.D.J., on November 29-30 and December 1-3, 1993.

On February 4, 1994, Judge Lechner issued the Court's Order and Injunction (Appendix C, 53a to 61a) as supported by the Court's detailed Findings of Fact and Opinion (Appendix D, 63a to 137a). As set forth in Judge Lechner's decisive and comprehensive ruling, the Court granted all relief requested by Versa, permanently enjoined Bifold from selling its infringing knockoff product in its current form, and awarded counsel fees and costs to Versa as the result of the blatant, arrogant and exceptional nature of the copying by Bifold that was demonstrated at trial, (Findings of Fact 152-191, 91a to 101a), and as a result of the Court's finding that Bifold had intentionally misrepresented facts and concealed evidence in an attempt to hide its copying of the Versa B-316 valve. (Findings of Fact 192-203, 101a to 105a).

On appeal to the United States Court of Appeals for the Third Circuit, the Circuit Court reversed the Order of the District Court and vacated the permanent injunction, without remand. Specifically, the Circuit Court ruled that the District Court's finding that Versa had shown a "likelihood of confusion" between its B-316 product and the copycat DOMINO JUNIOR product of Bifold was clearly erroneous. In overturning the District Court's Order and Injunction, the Third Circuit determined that "because of policy considerations" (5a) applicable to "product configuration" trade dress cases as compared to trademark or "product packaging" trade dress cases, the Court, for the first time, completely altered the factors to be analyzed in determining the existence of likelihood of confusion as established in *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978). (21a to 34a).

As explained below, however, the Circuit Court's radical modification of the *Scott* factors for determining likelihood of confusion in trade dress cases now conflicts with the standards of all other Circuit Courts, conflicts with this Court's

pronouncements in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753 (1992) and virtually obliterates the ability to prove a likelihood of confusion and obtain Lanham Act protection for product configuration trade dress in the Third Circuit. Moreover, the Circuit Court erred in its failure to even consider the real potential for loss of human life and/or catastrophic environmental damage should there be confusion between these virtually identical valves and should one company's valve be used to replace the other company's valve on an offshore oil rig.

V. ARGUMENT—REASONS FOR GRANTING THE WRIT

A. The Opinion Of The Third Circuit Conflicts With The Opinions Of Other Circuit Courts.

The Lanham Act, § 43(a) creates a federal cause of action for unprivileged imitation, *American Greetings Corp. v. Dan-Dee Imports*, 807 F.2d 1136, 1140 (3d Cir. 1986), and the federal courts are in agreement that § 43(a) creates a federal cause of action for trade dress, as well as trademark infringement claims. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753, 2763 (1992), Stevens, J. concurring; 1 J. Gilson, Trademark Protection and Practice Sec. 2.13, p. 2-178 (1991). Moreover, it is now long recognized that the design of the product itself, or the product configuration, may function as its trade dress, thus becoming protectable trade dress under § 43(a). *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (2d Cir. 1985); *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 80, n.2 (3d Cir. 1982).

As demonstrated below and as summarized in Appendix E, although each Circuit Court has developed slightly different expressions and titles for the factors or "digits" used to determine whether there is a likelihood of confusion between the trade dress of two products, with slight, immaterial deviations, the factors utilized by all Circuits, until now, have been

substantially the same and have been applied consistently to all trade dress and trademark cases. (See Table of the Courts of Appeals' Likelihood of Confusion Factors, Appendix E, 139a to 143a).

Thus, in all Circuits prior to the Third Circuit's Opinion in the matter before this Court, essentially the same factors were consistently applied in analyzing the existence of a "likelihood of confusion" in Lanham Act cases, and there was no different standard applied to "product configuration" trade dress cases as compared to "product packaging" trade dress cases or trademark cases. *See*, Eleventh Circuit—*Bauer Lamp Co., Inc. v. Shaffer*, 941 F.2d 1165, 1171-1172 (11th Cir. 1991) (likelihood of confusion in lamp manufacturer product configuration case analyzed using standard trademark factors); Tenth Circuit—*Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513 (10th Cir. 1987) (approved use of the Circuit's usual trademark factors in finding a likelihood of confusion in fishing reel product configuration trade dress case); Ninth Circuit—*Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 616 (9th Cir. 1989) (likelihood of confusion in the trade dress context is evaluated by reference to the same factors used in ordinary trademark context); Seventh Circuit—*Badger Meter, Inc. v. Grinnell Corp.*, 13 F.3d 1145, 1152 (7th Cir. 1994) (likelihood of confusion found to exist between competing water meters in trade dress product configuration case after analyzing same factors used in trademark cases); Sixth Circuit—*Esercizio v. Roberts*, 944 F.2d 1235 (6th Cir. 1991), *cert. denied*, 112 S.Ct. 3028 (1992) (likelihood of confusion in comparing automobile bodies affirmed despite clear labelling after applying *Frisch* factors utilized in Sixth Circuit trademark and trade dress cases); Fifth Circuit—*Sno-Wizard Mfg., Inc. v. Eisemann Products Co.*, 791 F.2d 423 (5th Cir. 1986) (likelihood of confusion in ice shaving machine product configuration trade dress case analyzed using same factors as ordinary trademark case); Second Circuit—*Merriam Webster, Inc. v. Random House, Inc.*, 35 F.3d

65, 70 (2d Cir. 1994) (likelihood of confusion for trade dress infringement analyzed by applying the Second Circuit's traditional *Polaroid* factors).

In contrast to this uniformity in other Circuits whereby the existence of a "likelihood of confusion" is analyzed consistently in all trademark and trade dress cases, the Third Circuit, in its present decision, in *Versa Products Company, Inc. v. Bifold Company (Manufacturing) Ltd.*, 33 U.S.P.Q. 2d 1801 (3d Cir. 1995) (Appendix B; 3a to 51a) has now unquestionably broken ranks with all other Circuit Courts and is in conflict with all of the Circuit Court Opinions cited above.

Specifically, after the issuance of the subject opinion in *Versa*, a separate, harsher, and almost unattainable analysis has been created in the Third Circuit for evaluating likelihood of confusion in product configuration trade dress cases. (See Point V C, *infra*). As clearly stated by the Circuit Court below when pronouncing its abandonment of the traditional *Scott* factors, a *new method* has now been adopted by the Third Circuit to analyze the existence of a likelihood of confusion *in product configuration trade dress cases only*:

> This *[Scott]* test was developed not for product configuration cases, but for "cases of alleged trademark infringement and unfair competition by a producer of a non-competing product," . . . and not all of the factors will be appropriate for or function the same way with respect to trade dress inhering in a product configuration, so we consider them in turn.

Versa, (22a) (citation omitted).

In light of the amended standards admittedly created by the Third Circuit in *Versa*, there currently exists a lack of national uniformity in the application of the protections of § 43(a) of the Lanham Act, which Section Justice Stevens just recently recognized as creating a federal law of unfair competition:

> Section 43(a) [of the Lanham Act] is an enigma, but a very popular one. Narrowly drawn and intended to reach false designation of representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition. . . . It has definitely eliminated a gap in unfair competition law, and its vitality is showing no sign of age.

Two Pesos, Inc. v. Taco Cabana, Inc., supra, 112 S.Ct. 2753, 2763 (1992), Stevens, J. concurring, quoting the United States Trademark Association Trademark Review Commission Report and Recommendations, 77 Trademark Rep. 375, 426 (1987).

Moreover, the general purpose of the Lanham Act, as articulated by its sponsor Congressman Lanham is *to establish uniform legal rights for a national economy*:

> "The purpose of [the Act] is to protect legitimate business and the consumers of the country." 92 Cong. Rec. 7524 (1946). One way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy. Although the protection of trademarks had once been "entirely a State matter," the result of such a piecemeal approach was that there were almost "as many different varieties of common law as there are States" so that a person's right to a trademark "in one State may differ widely from the rights which [that person] enjoys in another." H.R. Rep. No. 944, 76th Cong., 1st Sess., 4 (1939). The House Committee on Trademarks and Patents, recognizing that "trade is no longer local, but . . . national," saw the need for "national legislation along national lines [to] secur[e] to the owners of trademarks in interstate commerce definite rights."

Two Pesos, supra, 112 S.Ct. at 2764, Stevens, J. concurring.

As it is clearly unacceptable to have a lack of uniformity in the federal law whereby the Lanham Act's protections are applied differently in the Third Circuit than elsewhere in the nation, it is thus respectfully submitted that this Court should grant certiorari.

B. The Distinction Created By The Third Circuit Concerning "Product Configuration" Trade Dress Is In Conflict With This Court's Decision In *Two Pesos, Inc. v. Taco Cabana, Inc.*

In *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S.Ct. 2753 (1992), this Court granted certiorari to resolve a conflict among the Courts of Appeals on the question of whether trade dress which is inherently distinctive is protectable under the Lanham Act without a showing that it has acquired secondary meaning. In so doing, it became necessary for the Court to determine whether the Lanham Act's protections required different analysis for those seeking trade *dress* protection from those seeking trade*mark* protection.

In resolving the split in the Circuits, the *Two Pesos* Court held that inherently distinctive trade dress required no additional showing of secondary meaning and the Lanham Act required that trade *dress* was to be protected to the same extent as trade*marks*. In pronouncing equal treatment for trademarks and trade dress under § 43(a) of the Lanham Act, this Court in *Two Pesos* unambiguously stated:

> This is the rule generally applicable to trademark, and the protection of trademarks and trade dress under § 43(a) serves the same statutory purpose of preventing deception and unfair competition. There is no persuasive reason to apply different analysis to the two.
>
> * * * * *
>
> It would be a different matter if there were textual basis in § 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently dis-

> tinctive trade dress. But there is none. The section does not mention trademarks or trade dress, whether they be called generic, descriptive, suggestive, arbitrary, fanciful, or functional.
>
> * * * * *
>
> Engrafting onto § 43(a), a requirement of secondary meaning for inherently distinctive trade dress also would undermine the purposes of the Lanham Act. Protection of trade dress, no less than of trademarks serves the Act's purpose to "secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park 'N Fly*, 469 U.S., at 198, 105 S.Ct. at 663, citing S. Rep. No. 1333, 79th Cong., 2d Sess., 3-5 (1946) (citations omitted).

Two Pesos, supra, 112 S.Ct. at 2760.

Now in *Versa*, and in its very recent opinion in *Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431 (3d Cir. 1994), the Third Circuit creates and carves out the category of "product configuration" trade dress and proclaims that ". . . the law of trade dress in product configurations will differ in key respects from the law of trademarks or of trade dress in product packaging. . . ." (22a). Less than four months after the Third Circuit created this new separate category of "product configuration" trade dress law in *Duraco* and continued its analysis in the present case, the Eighth Circuit Court of Appeals has already recognized that this new Third Circuit analysis conflicts with the authority in other Circuits and that there is no legitimate basis to create separate product "packaging" and "configuration" trade dress categories in light of this Court's *Two Pesos* opinion.

Specifically, just weeks ago in *Stuart Hall Company, Inc. v. Ampad Corp.*, 63 U.S.L.W. 2653, 1995 WL 150476 (Dk. No. 94-2618) (8th Cir. 1995) (Appendix F, 145a to 163a), the Eighth Circuit expressly rejected the creation by the Third Circuit of a new test applicable to product configuration trade dress as opposed to product packaging trade dress.[3] In so ruling, the Eighth Circuit explained how the new Third Circuit test cannot be harmonized with, and expressly conflicts with, this Court's Opinion in *Two Pesos*:

> We, however, read *Two Pesos* as resting on a presumption that "trade dress" is a single concept that encompasses both product configuration and packaging, and find that its holding applies to trade dress as a whole, not merely to packaging.
>
> * * *
>
> The language the Supreme Court used in *Two Pesos* suggests a similar view. Neither the term "packaging", nor the term "product configuration" is used in *Two Pesos*: the term used is "trade dress," and both trademarks and trade dress are defined as "a verbal or symbolic mark or the features of a product design." *Two Pesos*, 112 S.Ct. at 2759. Further, the Court stated that "[s]uggestions that under the Fifth Circuit's law, the initial user of any shape or design would cut off competition from products of like design and shape are not persuasive." Id. at 2760. Clearly, the court envisions trade dress as including product features, design and shape, and intends its holding to apply to such trade dress. *Therefore, we decline to create a distinction between protection of packaging and protection of product configuration, as such a distinction*

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[3] Although the *Stuart Hall* opinion specifically relates to the issue of inherent distinctiveness, it nonetheless recognizes and emphasizes the confusion and lack of uniformity created by the Third Circuit's product "configuration" and "packaging" distinction recently articulated in *Duraco* and continued with regard to likelihood of confusion in *Versa*.

would run contrary to the intent of the Supreme Court as expressed in Two Pesos.

Stuart Hall, Appendix F, 155a-157a (emphasis added).

This Court in *Two Pesos* has advised that the protections of trademarks and trade dress under § 43(a) serve the same statutory purpose of preventing deception and unfair competition. Accordingly, this Court should grant certiorari here to safeguard and reinforce its trade dress protection pronouncements as set forth in *Two Pesos*, which have now been aggrieved by the Third Circuit in *Duraco* and in *Versa*.

C. The Third Circuit's Amended Analysis For Use In "Product Configuration" Trade Dress Cases Has Rendered It Virtually Impossible To Demonstrate A Likelihood Of Confusion In The Third Circuit And, Therefore, Has All But Eliminated Lanham Act Protections For "Product Configuration" Trade Dress.

To obtain trade dress protection for its B-316 product under § 43(a) of the Lanham Act, plaintiff Versa was obligated to establish, and did establish at trial in the District Court, that: (1) its trade dress is nonfunctional; (2) its trade dress is inherently distinctive or has acquired distinctiveness through secondary meaning; and (3) there is a likelihood of confusion in the marketplace between Versa's B-316 valve and Bifold's DOMINO JUNIOR valve. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, *supra*, 112 S.Ct. at 2758 (1992).

Subsequent to the Third Circuit's recent *Versa* opinion, however, any plaintiff seeking Lanham Act protection for product configuration trade dress is well-advised not to bring its cause of action in the Third Circuit as that plaintiff is now severely handicapped in its ability to meet the much-increased burden of proof established in *Versa*. Moreover, as explained below, if there is labeling on the copycat product, the new likelihood of confusion standard established by the Third Circuit is virtually *impossible* to meet no matter how identical in

appearance the knockoff product is to the product seeking protection and no matter how damning the intent of the infringing party when creating its knockoff.

Prior to the Third Circuit Opinion in *Versa*, the following ten *Scott* factors were considered in evaluating the existence of likelihood of confusion in all trademark and trade dress cases:

> (1) the degree of similarity between the owner's mark and the alleged infringing mark; (2) the strength of [the] owner's mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time [the] defendant has used the mark without evidence of actual confusion arising; (5) the intent of the defendant in adopting the mark; (6) the evidence of actual confusion; (7) whether the goods, though not in competition, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sale efforts are the same; (9) the relationship of the goods in the minds of the public because of the similarity of function; (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market.

Ford Motor Co. v. Summit Motor Prods., Inc., 930 F.2d 277, 293 (3d Cir. 1991) citing *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978). Moreover, prior to *Versa*, it had been almost uniformly held that a plaintiff need not demonstrate all, or even most, of these factors in order to prevail, *Esercizio v. Roberts*, 944 F.2d 1235, 1242 (6th Cir. 1991), *cert. denied*, 112 S.Ct. 3028 (1992), and the weight given to each factor varies according to the case with no one factor being dispositive. *Badger Meter, Inc. v. Grinnell Corp.*, 13 F.3d 1145, 1152 (7th Cir. 1994); *Payless Shoesource, Inc. v. Reebok International, Ltd.*, 998 F.2d 985, 988 (Fed. Cir. 1993).

After *Versa*, however, *for product configuration cases only*, evidentiary standards relating to certain factors have been modified, while certain factors have been emphasized, deemphasized or discarded entirely with the only commonality being that the Third Circuit has so narrowed the situations in which a plaintiff will be entitled to relief for infringement of product configuration under § 43(a) of the Lanham Act that its protections are all but eliminated. *See Versa*, (21a to 34a). The modified factors and their devastating effect are discussed below.

1. Similarity of Appearance (Scott Factor #1)

The first and primary factor previously considered by the Third Circuit (and uniformly considered by all circuits) is the degree of similarity between the owner's mark/trade dress and the alleged infringing mark/trade dress. *Versa*, (23a). While recognizing the paramount importance of similarity of appearance in trademark and product packaging trade dress cases, the Third Circuit held that in product configuration cases "the primary factors to be considered in assessing likelihood of confusion are the product's labeling, packaging, and advertising." *Id.*, (24a). Thus, even if the knockoff product is *identical* in its infringing trade dress; that is now of no impact to the Third Circuit if the infringing product bears a label.

This holding is contrary to numerous cases from other circuits which have granted relief despite clear labeling, packaging and/or advertising. *See e.g., Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 616 (9th Cir. 1989); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513 (10th Cir. 1987); *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71 (2d Cir. 1985).

Moreover, the Third Circuit in *Versa* based its reasoning on the unsupported proposition that customers have grown accustomed to rely on trademarks, and to a lesser extent product packaging, as trustworthy indicators of source, but do not rely on product configuration to identify product source. (23a-24a). In addition to having no support in the record or

elsewhere, this proposition ignores that the Lanham Act is intended to do more than protect point-of-sale confusion and disregards the problems associated with post-sale confusion. *See e.g., Payless Shoesource, Inc. v. Reebok International, Ltd.*, 998 F.2d 985, 989 (Fed. Cir. 1993) (wherein the court held it was an error under Tenth Circuit law not to consider post-sale confusion); *Esercizio v. Roberts, supra*, 944 F.2d at 1244-1245 (6th Cir. 1991), (discussing amendments to the Lanham Act which effectively broadened its protection from confusion to extend beyond the immediate purchaser). In addition, as explained in Section D, *infra*, post-sale confusion of the valves at issue in this lawsuit can literally be life-threatening or could realistically result in an environmental disaster on an offshore oil rig where these valves are routinely used as the crucial components in the safety control panels that control the flow of oil. Accordingly, failing to consider post-sale confusion between virtually identical original and knockoff products is a serious error with potentially catastrophic results.

Moreover, the Third Circuit's reasoning deemphasizing the degree of product similarity between the original product and the copycat product also ignores the possibility that customers may nonetheless conclude from the similar product configurations that the original producer was the source, or manufacturer of the infringing product. *See e.g., Badger Meter, Inc. v. Grinnell Corp.*, 13 F.3d 1145, 1152 (7th Cir. 1994) wherein the court held that the prominent use of the parties' respective trademarks, names and logos on the water meters, packaging and advertising brochures did not preclude the inference that consumers could be misled as to the source of the accused product. As recognized in *Badger Meter*, it is a common practice for one manufacturer to private label or market items under different trademarks and trade names, and purchasers are often well aware of this commercial reality when they are in the market for a particular item.

2. Strength of Owner's Mark (Scott Factor #2)

The strength of the owner's mark or dress has also previously been considered important in evaluating a claim of trademark or trade dress infringement and is inherently related to the determination of whether there is protectable subject matter to begin with. *See e.g.*, *Esercizio v. Roberts*, *supra*, 944 F.2d 1235 (6th Cir. 1991).

While the Third Circuit acknowledges that the "strength" of a mark includes considerations of both distinctiveness and commercial strength (i.e., "secondary meaning"), the Third Circuit has now severely limited both aspects as applied to product configurations. *Versa*, (24a-25a). In the instant case, the Court specifically held that the "trademark distinctiveness scale" was ill-suited for, and, therefore, *does not apply* to product configuration cases. *Id.*; *see also*, *Duraco Products v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431 (3rd Cir. 1994). Further, the Court held that strength of a product configuration must mean more than the ability of large numbers of consumers to identify the configuration as coming from a particular producer. *Versa*, (25a). Rather, the Court concluded a plaintiff must prove *actual reliance* by consumers on a particular product configuration before crediting that configuration's strength toward a likelihood of confusion. *Id.*

Thus, even a product with a strong trade dress that has unquestionably developed secondary meaning through widespread and immediate recognition associating the product's trade dress with the producer will not be entitled to credit the strength of that trade dress toward likelihood of confusion, absent evidence of *actual* reliance by consumers on the trade dress as a source indicator. *Versa*, (25a). Even ignoring the practical obstacle of how such actual consumer reliance can be presented and demonstrated by a plaintiff, there is no legitimate basis for minimizing and discounting the strength of a product's trade dress in product configuration trade dress cases as is now the rule in the Third Circuit.

3. Attention Expected of Customers (Scott Factor #3)

The price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase is the third *Scott* Factor and is considered by other circuits as well. *See e.g.*, *Qualitex Co. v. Jacobson Products Co., Inc.*, 13 F.3d 1297 (9th Cir. 1994); *Blue Bell Bio-Medical v. Cin-Bad, Inc.*, 864 F.2d 1253 (5th Cir. 1989). However, citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp. v. Day-Bright Lighting, Inc.*, 376 U.S. 234 (1964), the Third Circuit improperly glorified the "penumbra" of federal patent law to the detriment of the Congressional purpose underlying the Lanham Act in order to support its unsound conclusion that the third *Scott* factor needed to take on enhanced importance in product configuration trade dress cases. *Versa*, (26a).

In fact, in direct contravention to the Lanham Act's statutory purpose "of preventing deception and unfair competition" and "to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers", *Two Pesos, supra*, 112 S.Ct. at 2760, the Third Circuit in *Versa* repeated its product "configuration" distinction while wrongly suggesting that the patent law diminishes the Lanham Act's protections:

> The penumbra of the federal patent laws restricts the degree to which courts may grant legal recognition of consumer reliance on product configurations as source indicators, for their limited scope of protection impliedly imposes restraint on the workings of Section 43(a). Accordingly, we must bear in mind the Supreme Court's counsel that "mere inability of the public to tell two identical articles apart is not enough to support an injunction against copying . . . that which the federal patent laws permit to be copied." *Sears, Roebuck & Co. v.*

Stiffel Co., 376 U.S. 225, 232, 84 S.Ct. 784, 789 [140 U.S.P.Q. 524] (1964).[4]

Versa, (26a).

Moreover, the Third Circuit's interpretation of the "penumbra" of patent law and its alleged limiting effect on trademark law, which forms the basis for the Court's position, is contrary to the basic policies behind those areas of law. As the Seventh Circuit stated in rejecting an argument similar to the one now forwarded by the Third Circuit, patent law and trademark law are two distinct areas of law. *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 639 (7th Cir. 1993). Patent law seeks to reward invention, promote disclosure of inventions and protect ideas already in the public domain. *Kohler*, 12 F.3d at 637 (citing *Aronson v. Quik Point Pencil Co.*, 440 U.S. 257, 262 (1979)). In exchange for making public an innovation, the patent laws grant a temporary monopoly, after which the innovation passes into the public domain. *Id.*

The Lanham Act, in comparison, seeks to provide national protection of trademarks and trade dress in order to secure to the owner of a mark the goodwill of his business and to protect the ability of consumers to distinguish between competing producers. *Kohler*, *supra*, 12 F.3d at 638 (citing *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985)). A trademark (or trade dress) owner must prove nonfunctionality, distinctiveness and likelihood of confusion to prevail in an infringement suit while a design patent owner

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[4] The Third Circuit's reliance on *Sears* and *Compco*, *supra*, are especially puzzling in light of footnote 13 in the *Versa* decision (26a) whereby the Court acknowledges that *Sears* and *Compco* are Constitutional Supremacy Clause cases that reviewed *state* unfair competition laws so that *Sears* and *Compco* should in no way serve to bar or limit the federal statutory protections passed into law by Congress when enacting the Lanham Act. *See, S,K & F Co. v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055, 1064-1065 (3d Cir. 1980) (*Sears* and *Compco* do not suggest that federal patent policy limits the scope of § 43(a) of the Lanham Act).

need not. *Id.* Accordingly, there is no conflict or inconsistency between the two modes of protection. *Kohler*, 12 F.3d at 638.

This unwarranted blending of patent law and the Lanham Act by the Third Circuit is indicative of the obstacles now facing plaintiffs seeking Lanham Act protections in the Third Circuit and cries out for this Court's guidance and review.

4. Length of Defendant's Non-Conforming Use/ Actual Confusion (Scott Factors #4 and #6).

Although acknowledging the obvious, that evidence of actual confusion would be relevant to the issue of a likelihood of confusion, even the existence of actual confusion evidence is now minimized by the Third Circuit for product configuration cases. Thus, according to the new test established in *Versa*, *even "instances of actual confusion may not weigh in the favor of a finding of likelihood of confusion*, unless the *confused* consumer was acting with the care expected of consumers purchasing the type of good at issue." *Versa*, (28a) (emphasis added).

It is respectfully submitted that when the Third Circuit has pronounced that even evidence of *actual confusion* may not assist a plaintiff in proving a likelihood of confusion as required to obtain Lanham Act protection, the standards have clearly been skewed in such a manner that meeting these heightened standards is virtually impossible.

5. Defendant's Intent in Adopting the Mark or Trade Dress (Scott Factor #5).

The Third Circuit has further complicated matters by now ruling that in product configuration trade dress cases, the defendant's intent weighs in favor of finding a likelihood of confusion *only* if (1) intent to confuse is demonstrated by *clear and convincing* evidence and (2) the products' labeling and packaging are also *affirmatively misleading*. *Versa*, (33a).

Initially, it is submitted that the Third Circuit's implementation of a clear and convincing evidentiary standard for establishing an accused infringer's intent is completely without a valid legal basis. Once again seeking to harmonize patent law and its newly created product configuration trade dress law, the Third Circuit relied upon its defective analysis of patent law and its effect on the Lanham Act to support its heightened evidentiary standard. *Id.*, 31a-33a. Accordingly, the Third Circuit concluded that product configuration trade dress cases result in patent-like restrictions on competition and, therefore, deterrents to copying product designs must be "very narrowly tailored" so as not to inhibit fair competition. *Versa*, (32a).

It is, however, black letter law that trademark and trade dress protection does not grant a monopoly nor inhibit fair competition. *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 643 (7th Cir. 1993). Again, however, the Third Circuit's preoccupation with the patent law has resulted in its evisceration of the Lanham Act, this time by adopting an increased "clear and convincing" evidentiary standard with respect to evaluating the intent and purpose of a defendant in adopting its infringing trade dress.

This is especially significant in a matter such as the one at issue wherein the District Court stated in its Opinion granting relief to plaintiff that "[i]n point of fact, the evidence offered by Bifold did not establish their purpose was anything other than to copy the Versa trade dress and free ride the benefits of this trade dress. *There is no doubt that the two products are confusingly similar and this is by design*". (135a; emphasis added). Notwithstanding this overwhelmingly conclusive finding, the Third Circuit, applying its new unattainable standards concluded that plaintiff had failed to demonstrate a likelihood of confusion.

With respect to the need to also demonstrate an affirmative mislabeling before a defendant's intent can be considered,

Versa, (33a), such a requirement ignores those Circuits that have consistently held that labeling itself cannot remove the ability to demonstrate a likelihood of confusion, *Vision Sports*, *supra*, 888 F.2d 609, *Brunswick Corp.*, *supra*, 832 F.2d 513, *LeSportsac*, *supra*, 754 F.2d 71, and totally ignores that where an owner of trade dress has spent energy, time and money in presenting to the public his product, he is to be "protected in his investment from its misappropriation by pirates and cheats". *Two Pesos*, 112 S.Ct. at 2764, n.15, Stevens, J. concurring, quoting S. Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946).

7-10. Marketing Considerations (Scott Factors #7-#10).

The remaining four Scott factors are described by the Third Circuit as addressing various aspects of product marketing. *Versa*, (33a). The Court reasoned that because these factors tend only to establish a possibility of confusion, as opposed to a probability of it, they are to be treated as "necessary, but insufficient conditions for showing a likelihood of confusion." *Id.* Thus, once again, in the Third Circuit's new "product configuration" trade dress context, the standards have been skewed against the party seeking protection—if standards 7 through 10 cannot be demonstrated, Lanham Act protection is denied, but proof of these factors does little in the eyes of the Third Circuit to assist meeting the new, harsh burden of proof.

Again, the Third Circuit's analysis is contrary to the prevailing rules in other Circuits that a plaintiff need not demonstrate all or even most of the factors in order to prevail, *Esercizio v. Roberts*, *supra*, 944 F.2d 1235, and that the weight given to each factor varies according to the case with no one factor being dispositive. *Badger Meter, Inc. v. Grinnell Corp.*, *supra*, 13 F.3d at 1152; *Payless Shoesource, Inc. v. Reebok International, Ltd.*, *supra*, 998 F.2d at 988.

Further, numerous cases from the other circuits have found infringement of product configuration trade dress where one or more of these "marketing" factors was absent or even weighed in defendant's favor. *See e.g., Payless Shoesource, Inc. v. Reebok International, Ltd.*, 998 F.2d 985, 988 (Fed. Cir. 1993) (vacating the denial of a preliminary injunction for failure to establish likelihood of confusion based upon "vast" differences in the manner of marketing competing footware and remanding to consider post-sale confusion); *Esercizio v. Roberts, supra*, 944 F.2d at 1242 (6th Cir. 1991) (affirming a finding of likelihood of confusion between exotic sports car and a replica despite the obvious differences in marketing channels weighing in defendant's favor); *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 616 (9th Cir. 1989) (rejecting defendant's argument that differences in clothing sales target groups precludes a likelihood of confusion).

This Court has recognized in *Two Pesos*, 112 S.Ct. at 2760, that:

> Protection of trade dress, no less than of trademarks, serves the Act's purpose to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.

Because of the unobtainable standards that have now been established by the Third Circuit, these trade dress protections have been undermined and emasculated for all product configuration trade dress cases and, accordingly, certiorari should be granted to restore the safeguards promised by the Lanham Act.

D. When Human Life and Far-Reaching Environmental Concerns are at Issue, These Factors Must Be Weighed in the Likelihood of Confusion Analysis.

Although Versa's B-316 valves are sold to any industry that needs to control compressed air, gas or fluid, the vast majority of these valves are sold as crucial components for emergency shutdown control panels that open and close pipelines on offshore oil rigs. District Court Findings of Fact ("FF") 31, 35 and 70 (69a and 75a). As its expert witness during the District Court bench trial, Versa presented Mr. Gerald Murphy, one of the leading manufacturers of offshore control panels in the world. (FF 214, 109a). At trial, Mr. Murphy and others explained that a valve manufacturer's reputation for quality is essential in emergency shutdown offshore drilling applications because the products are used in hazardous and demanding environments where loss of human life, environmental damage and property loss may be at stake if the valve does not function properly. (FF 126, 82a).

Versa's B-316 valve has been in the market for more than ten years and has been subject to rigid quality control tests, and the product has continuously performed its function in the field. (FF 127, 83a). Versa has an excellent reputation in the marketplace for providing a high quality product and its B-316 valve is recognized as a high quality product. (FF 128, 83a). Accordingly, Versa's B-316 valves appear on the specifications of United States' customers for emergency shutdown control panel business more than any other manufacturer. (FF 114, 81a).

At trial, Mr. Murphy, as well as Bifold's valve distributor, Mr. Carr, confirmed that Versa's B-316 valves are recognized in the industry as having a unique appearance, design and configuration that identify them as Versa valves, and that customers distinguish the Versa B-316 valve from the valves of other manufacturers by looking at the valve's appearance. (FF 139-140, 85a). In fact, the valves that compete with the

Versa B-316 valve, excluding Bifold's copycat DOMINO JUNIOR, do not even remotely resemble the Versa B-316 valve in appearance, design and configuration. (FF 212, 106a-109a).

Bifold, however, manufactured and attempted to market an unauthorized copy of "knockoff" of the Versa B-316 valve. (FF 151, 91a). In fact, based upon the overwhelming weight of the evidence testified to by the fact and expert witnesses presented at trial, the decisive documentary exhibits admitted into evidence and the District Court's own visual inspection and comparison of the physical valve exhibits, the District Court found that the Bifold DOMINO JUNIOR valve is unquestionably an unauthorized copy or "knockoff" of the Versa B-316 valve. (FF 151; 91a).

Furthermore, the infringing DOMINO JUNIOR was made to be a replacement part for the Versa B-316 valve, and the DOMINO JUNIOR can, in fact, interchange with and physically replace the Versa B-316 valve in existing applications. (FF 183, 99a; FF 229, 115a). Notwithstanding their almost identical external appearances, however, the internal operating characteristics of Versa's B-316 valve and Bifold's DOMINO JUNIOR valve are quite different and *are not compatible*. (FF 102-105, 79a). Accordingly, should the valves be confused in the field and mistakenly interchanged for one another on an oil rig, the consequences could be catastrophic. (FF 229, 115a).

Specifically, Mr. Murphy explained that based on his experience, field or service personnel are likely to confuse the Versa B-316 valve and the DOMINO JUNIOR valve if they are in the same location and that improperly replacing a Versa B-316 valve with a DOMINO JUNIOR valve could result in a pipeline system failing to shut down when required. (Exhibit G, 165a to 167a.) The consequences of such a system failure could be loss of human life, loss of property or severe pollution. *Id.*

Having determined that all requirements for Lanham Act protection were present, the District Court granted the permanent injunction sought by Versa. 53a-61a. In addition to the Third Circuit's complete abandonment of the District Court's findings of fact, however, the Third Circuit apparently ignored the exceptional safety and environmental concerns inherent in this Lanham Act case.

It is respectfully submitted that when valid and compelling safety and/or environmental issues are presented, such as exist here with the potential for loss of human life or an oil spillage disaster, that it is incumbent upon the Court to review and consider those issues as a factor that is relevant to the Court's likelihood of confusion finding. Accordingly, this Court should grant certiorari to provide instruction and guidance in that regard.

VI. CONCLUSION

For the foregoing reasons, petitioner Versa Products Company, Inc. respectfully requests that this Court grant the Writ of Certiorari.

Respectfully submitted,

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APPENDICES

INDEX TO APPENDIX

PAGE

Appendix A
Judgment entered by The United States Court of Appeals For The Third Circuit Dated February 15, 1995 ..... 1a

Appendix B
Opinion of The United States Court of Appeals For The Third Circuit Filed February 15, 1995.... 3a

Appendix C
Order and Injunction Entered by The United States District Court For The District of New Jersey (Alfred J. Lechner, Jr., U.S.D.J.) Dated February 4, 1994 ..... 53a

Appendix D
Findings of Fact and Opinion of The United States District Court For The District of New Jersey (Alfred J. Lechner, Jr., U.S.D.J.) Dated February 4, 1994 ..... 63a

Appendix E
Circuit Courts' Likelihood of Confusion Factors Summary 139a

Appendix F
Opinion, Stuart Hall Company, Inc. v. Ampad Corp., ___ F.3d __, 1995 WL 150476 (Dk. No. 94-2618) (8th Cir. 1995) 145a

Appendix G
Trial Transcript Testimony of Expert Witness Gerald J. Murphy..... 165a

APPENDIX A

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 94-5064

VERSA PRODUCTS COMPANY, INC.

—v.—

BIFOLD COMPANY (MANUFACTURING) LTD., *Appellant*

On Appeal From the United States District Court
For the District of New Jersey
(D.C. Civ. No. 93-cv-02734)

Present: BECKER and LEWIS, *Circuit Judges*,
and POLLAK, *District Judge*.*

JUDGMENT

This cause came on to be heard on the record from the United States District Court for the District of New Jersey and was argued by counsel May 12, 1994.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court entered February 7, 1994, be, and the same is hereby reversed and the permanent injunction and award of attor-

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* The Honorable Louis H. Pollak, United States District Judge for the Eastern District of Pennsylvania, sitting by designation.

neys' fees against Bifold Company are vacated. Costs taxed against the appellee. All of the above in accordance with the opinion of this Court.

ATTEST:

[ILLEGIBLE]
Clerk

Dated: February 15, 1995

APPENDIX B

APPENDIX B

Filed February 15, 1995

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

NO. 94-5064

VERSA PRODUCTS COMPANY, INC.

v.

BIFOLD COMPANY (MANUFACTURING) LTD.,

Appellant

On Appeal From the United States District Court
For the District of New Jersey
(D.C. Civ. No. 93-cv-02734)

Argued: May 12, 1994

Before: BECKER and LEWIS, *Circuit Judges*, and
POLLAK, *District Judge*.*

(Filed February 15, 1995)

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*.The Honorable Louis H. Pollak, United States District Judge for the Eastern District of Pennsylvania, sitting by designation.

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OPINION OF THE COURT

BECKER, *Circuit Judge.*

This is a trade dress infringement action in which plaintiff Versa Products Company, Inc. ("Versa") contends that defendant Bifold Company (Manufacturing) Ltd. ("Bifold") infringed the trade dress of Versa's B-316 directional control valve, a device commonly used in control panels of offshore oil-drilling rigs to facilitate emergency shutdowns, by marketing its Domino Junior valve, which Versa maintains copies the product configuration of the B-316.[1] The action was brought under section 43(a) of the

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1. As in *Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431, 1439 (3d Cir. 1994), "we will employ the designation 'product configuration' to refer to trade dress alleged in the product itself, whether in a specific feature or in some combination or arrangement of features, and to distinguish that type of trade dress from 'product packaging.'"

Lanham Act, 15 U.S.C. § 1125(a) (West Supp. 1994), New Jersey's Unfair Competition Law, 56 N.J.S.A. § 4-1 to -2 (1989), and New Jersey's common law of unfair competition. Following a bench trial the district court found that the trade dress of Versa's valves had met the nonfunctionality and distinctiveness requirements of our trade dress jurisprudence, and that there was a likelihood of confusion of the sources of Bifold's Domino Junior and Versa's B-316 valves. Accordingly, the court entered a permanent injunction against Bifold, precluding it from selling its Domino Junior valve (in its present form) anywhere in the United States. Bifold appeals all aspects of the district court's rulings.

We need not reach the nonfunctionality and distinctiveness questions because the appeal may be disposed of on the likelihood of confusion issue, in connection with which we are called upon to determine whether the jurisprudence that lowers the standard to a "possibility of confusion" where the alleged infringer is a "second comer" applies in the trade dress product configuration context. We also must explicate the elements of the confusion standard in this context. We conclude that the lowered standard (applied by the district court) does not apply and that some but not all of the "*Scott* factors," *see Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978), are pertinent, because of policy considerations applicable in product configuration cases. Applying this approach we conclude that the district court's finding of a likelihood of confusion is clearly erroneous. We will, therefore, reverse the order of the district court and vacate the permanent injunction.

I. Facts and Procedural History

Versa, a New Jersey corporation with subsidiaries abroad, designs and manufactures pneumatic and hydraulic directional control valves. Bifold, an English corporation, competes with Versa and markets a line of control valves and related products and services to the offshore oil industry. Versa alleges that Bifold has engaged in unfair competition in its marketing of the Domino Junior — a valve manufactured by Bifold and adapted to the harsh

offshore oil and petrochemical environments — by copying the trade dress, i.e., the distinctive appearance, of the product configuration of Versa's B-316 valve.

The most significant feature of valves designed for offshore applications is their stainless steel composition, used to withstand the corrosive effects of salt air and sour gas fumes. In offshore drilling platforms these valves are typically aligned in small control panels containing up to fifty modular valve bodies with a standard configuration but which, by attaching one of various actuators and making minor adjustments, may be adapted to a variety of applications. The panel design engineers devise the functional specifications of panels around the capacities of particular valves, selecting valves based on their functionality, reliability, availability, and price. The valves themselves are not visible from the front of a control panel when installed; only knobs, buttons, and status indicator actuators protrude.

A. Versa's B-316 Valve

Versa began producing brass valves (its "V" series) in 1949. Versa dresses the series, consisting at present of an entire line of valves well known in the industry, with contoured lines and shaping that the district court found "form a distinctive product appearance that has been associated with Versa for decades." In the late 1970's Versa designed the B-316 line of stainless steel valves, the subject of this litigation. Versa initially fashioned them of stainless steel bar stock, and the valves were plain and unadorned. Because of the waste of valuable metal associated with the machining process and the substantial manual labor needed to drill each valve individually, Versa converted to a cast version of the valve as soon as sales levels justified the substantial economic investment in a casting mold.

The two versions of the valve serve the same function and are interchangeable. Versa deliberately set about to give the cast version of the B-316 the "Versa look," that is, to have it resemble in appearance the V-series of Versa valves. FF 41. Versa's desire to have the valve be clearly associated with Versa in the market was a primary impetus for its election to manufacture the cast version of the B-316.

The modular B-316 valve is comprised of a valve body and, optionally, one or more attached actuators used to manipulate the moving parts in the valve body. The valve is a three-way valve, meaning that it has three ports or openings (for the ingress or egress of gas or fluid), which are threaded to 1/4" NPT, a national standard and industry requirement. The ports open into an inner chamber in the valve body, which houses a spool moved by an actuator (such as a button, knob, or electronically controlled solenoid actuator) to open or close the port, controlling fluid flow.

The configuration and function of the actuators provided with a valve are driven by customer demand; however, the use of certain actuators (most of which Versa purchases from other vendors) is standard with the B-316. Versa has used the same knob actuator for 40 years, although many others are available. It also uses a particular status indicator, which indicates the valve's position; a particular button actuator, which is shrouded to prevent accidental actuation; a self-produced manual latch, which locks the valve spool in the open or closed position; and a self-produced pilot actuator, which responds to pressure in an attached fluid line to control the spool's position.

Located at each end of a valve is a flange, both of which serve as faces to mount the actuators and to provide a flat surface for attachment to the control panels; holes are drilled into the flanges to allow the actuators to be securely mounted. A longitudinal top rib runs along the top of the valve body to allow customers to attach solenoid (computer controlled) actuators, to provide strength, and to serve as a casting gate (an opening in the casting mold through which the molten metal is poured). A smaller bottom rib was added to provide parallelism in the product's appearance and to assist in the casting process. Finally, the valve has three mounting holes which are positioned to provide stable mounting to a panel or other flat surface. Each aspect of the valve serves a specific function essential to the valve's operation, cost, performance, or ease of manufacture. The design of each actuator is functional. Functionality dictates the overall cast design, but does not dictate its external appearance.

The B-316 valve's mold imprints the manufacturer's name ("VERSA") and place of origin ("N.J. U.S.A.") on the valve. Versa also stamps a date code and rivets a metal label displaying the Versa name, logo, and part number onto the valve. Versa currently dominates the United States market for stainless steel valves. Aside from Bifold, only Versa sells *cast* stainless steel valves; other competitors use a cylindrical bar stock.

B. Bifold's DOMINO JUNIOR Series Valve

As part of Bifold's continuing efforts to expand its product line, in 1985 it introduced the Domino series modular valves. Although originally machined from standard bar stock (like Versa's B-316), the Domino valves became sufficiently successful to warrant the investment needed to design a cast version. An outside casting company designed the cast version of the Domino; Bifold had no involvement in the process. Like a B-316, the Domino valve has three cylindrical ports, a top rib for housing a solenoid feed, flanges, and a range of actuators.

Because the Domino was too large for many of its customers' needs, however, Bifold designed the "Domino Junior" modular valve in 1990, producing it at first from bar stock.[2] In late 1991, eight years after the cast version of the B-316 became available, Bifold introduced its cast version of the Domino Junior. Bifold at the time erroneously believed that Versa had a "monopoly" on the wellhead control panel valve market, and created the cast version of the Domino Junior to "bury Versa."

Bifold was aware of the B-316's appearance and design features because it had seen the product at various trade shows. The district court did not credit Bifold's claims that it designed the Domino Junior as a scaled down version of the Domino and that it did not copy the B-316.[3] It found instead that, before and during its design of the Domino

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2. A fact-finding inconsistent with the tenor of the ones described here is that "Bifold used the Domino Junior bar stock valve as an excuse to justify its look-alike cast version of the Domino Junior product."

3. It also did not credit the claims of Bifold's experts.

Junior cast mold, Bifold examined and largely copied Versa's B-316 valve, a sample of which it had obtained through its agent in Denmark. For example, the court found that Bifold, which regularly uses metric sizes in its valves, took measurements from the B-316 and used a metric conversion of the B-316's imperial standard size. Bifold also sent a cast B-316 valve to Manchester Tool Services, which it selected to be the manufacturer of the cast version of the Domino Junior, as a model for the cast version of the Domino Junior. The two valves (the B-316 and the Domino Junior) are not, however, interchangeable in the field, and "replacing a Versa B-316 cast valve with a Bifold Domino Junior cast valve in an existing control panel could be problematic."

The district court also found that Bifold lacked the expertise to design the cast version of the Domino Junior, had presented misleading testimony about who produced a prototype drawing of the Domino Junior, and had backdated documents to create the false appearance that it had designed the valve. The court found that BSA Precision Castings, Ltd. ("BSA"), which had designed the cast version of the Domino valve, was involved in the design of the cast version of the Domino Junior valve. During the time that BSA participated in the design of the cast version of the Domino Junior, it had in its possession drawings and castings of the B-316's major components, as well as Versa's actuators. BSA had obtained the drawings, actuators, and actual samples of valve components from Versa three years earlier when it had provided Versa with a quote for the casting of the B-316. The court found that BSA used this data to design a casting of the Domino Junior valve as a look-alike of the Versa B-316, despite the fact that Bifold had asked BSA to give "due consideration to the appearance of the larger Domino valves."

Although the Domino Junior and B-316 do, in fact, look quite similar, the district court described a number of differences between the two manufacturers' valves. Because the Domino Junior's ports extend outward from the valve body, whereas the B-316's ports are flush with the valve body, the Domino Junior is slightly wider than the B-316. The Domino Junior ports' threads have metric dimensions.

The Domino Junior is made of more metal and weighs about thirty percent more than the B-316. The stroke — the distance an actuator must move the internal spool to switch the valve's ports — also differs from that of the B-316. Because Bifold electroplates its valves, the Domino Junior body has a duller finish than the B-316. The Domino Junior also has thicker flanges and ribs than does the B-316. The valves' mounting holes have different centers. Bifold purchases its status indicators from a different company than Versa uses, and these indicators have a different size, appearance, and configuration from Versa's. Like Versa, Bifold produces its own manual latch, but makes it out of two cast pieces and gives it rounded edges, whereas Versa uses a single piece of rectangular bar stock material.

The Domino Junior valves are "block-before-bleed" (meaning fluid flow is completely blocked during the moment required to change states when the valve is activated), whereas the B-316 includes that feature only as an option. The Domino Junior ports are universal (meaning that any port can be an inlet or an outlet port), though Bifold customizes each valve as either normally open or normally closed; in contrast, Versa offers universal application only as an option. Like Versa, Bifold casts its name into the Domino Junior's valve body and bolts onto it a metal label prominently displaying the Bifold name.

Despite all these differences, the court concluded that "[t]he Bifold Domino Junior valve and actuators are virtually identical in external design and *visual appearance* to the Versa B-316 valve." It found an identity in general body configuration, body length, flanges, distance between ports, valve mounting holes, actuator mounting holes, ribs, spring cap (which returns the spool back to its original position), buttons, button caps, status indicators, knobs, manual latching pins, and pilot caps. The valve bodies, buttons, button caps, knobs, status indicators, and manual latching mechanism used by other competitors in the industry look quite different from both the Domino Junior's and the B-316's. The court discounted the dissimilarity of the solenoid actuators attached to the valve bodies by Versa and Bifold because only a small portion of Versa's B-316 valves sold include solenoid actuators.

C. Marketing and Sales of the Valves

In order to determine whether Bifold had engaged in unfair competition with Versa, the district court considered whether consumers were likely to confuse the sources of the two companies' valves in light of the ways in which the two valves are marketed and sold. The court found that valves of this sort are not sold off the shelf or selected on sight. Rather, both manufacturers sell their valves based on functional specifications detailed in schematic diagrams, manufacturers' catalogs, or specification sheets and samples available at trade shows and sales presentations. The valves are selected by multi-digit part numbers identifying the particular variation desired. The purchasers and users of the valves are qualified, knowledgeable persons who comprehend the installation and use of the valves. They typically prepare specifications designating which manufacturer's valve they prefer to use in their system before placing the order.

Versa, the more established manufacturer, has sold over 100,000 B-316 valves, and is currently selling over 16,000 per year. This gives it a fifty to fifty-five percent market share of valves sold for use in emergency shutdown systems in the United States. Bifold has only recently begun marketing its Domino Junior valve in the United States, and immediately stopped its efforts to open the United States market pending the outcome of this litigation.

Versa and its B-316 valve have an excellent reputation for producing a high quality product. This quality level is very important in emergency shutdown offshore drilling, for the failure of a valve could cause loss of human life and property as well as severe environmental damage. Versa has therefore subjected its B-316 valve to rigorous quality control tests, and the valve has performed faithfully in the field.

The district court found that, because of the availability and outstanding reputation of the B-316 cast valve for over ten years, the overall appearance and contours of the B-316 have come to distinguish the valve as Versa's (in the industry and to Versa's customers), with the valve body constituting the most defining aspect of the Versa look. The

valve's overall appearance assists Versa in marketing its product, and Versa features this appearance widely in trade journals, catalogues, brochures, bulletins, trade shows, and sales exhibitions. The court also found that Versa deliberately created the B-316's distinctive appearance (contrasting with the other valves available in the market at the time) to identify the valve in the market as a Versa product.

The district court found that Bifold hired Versa's former regional marketing manager of six years, James Carr, III, to sell its new Domino Junior valve. Carr sells both Versa and Bifold valves, sometimes to the same customers. To solicit Domino Junior sales in early 1993, Carr approached Gordon Fraleigh, an employee of the Fraleigh Company, which for years had sold Versa products to customers in the petroleum industry. Carr represented to Fraleigh, whom he had known for many years, that Bifold had developed an "exact copy" of the B-316 which would "fit in perfect" as a substitute for the B-316, and inquired whether Fraleigh would like to distribute the Domino Junior. Thereupon, Fraleigh became confused as to the relationship between Versa and Bifold. Bifold has also contemplated contacting other Versa distributors to sell its valves.

D. Likelihood of Confusion

Beyond the confusion on Fraleigh's part, the district court found that some, but not all, consumers of the B-316 valves are sophisticated, and that the likelihood of confusion as to the source of the Domino Junior is enhanced with respect to the unsophisticated consumers. This finding is undercut by the district court's finding, *see supra* p. 9, that the purchasers are knowledgeable and understand the valves. We note, however, that these findings might be resolved by noting that the latter finding assumes expansion of Versa's market. Indeed, the opinion later suggests that any unsophisticated consumers exist only as "potential new customers" in "untapped" markets, that is, that all the current customers are sophisticated. *See* Mem. Op. at 90. Because there will in those potential expansion markets be no likelihood of confusion based on the district court's theory (namely, that consumers familiar

with Versa's trade dress will mistakenly believe Bifold is affiliated with Versa, *see infra* at 44-49), we will ignore the court's "expansion" finding and consider only its finding that the purchasers are knowledgeable.

In addition, one customer forwarded to Bifold a telefax initially addressed to Versa. And Frank Vetter, a Vice President and Chief Operating Officer of Versa, testified that he was advised of confusion of the products at trade shows.

Because of the valves' "virtual identity in appearance" and the fact that Bifold has not sold products in the United States previously, the district court concluded that a Versa customer in the United States might reasonably assume that Versa and Bifold are related companies or that the Domino Junior is otherwise related to Versa. However, since Bifold had sold only two valves in the United States, both to distributors, the court found there had been little opportunity for Versa to document instances of actual confusion.

II. The District Court's Legal Conclusions[4]

The district court noted at the outset that Section 43(a) provides a cause of action for unprivileged imitation of trade dress — defined as the "overall design or appearance of a product or its packaging" — because it involves actual or potential deception. Trade dress, it held, consists not of individual features, but of the overall appearance of the product. We turn then, to the court's more specific legal conclusions.

Recognizing that unpatented functional features may be freely copied regardless of any likelihood of confusion — and Versa has not patented the design of its B-316 valve — the district court first concluded that the trade dress of the

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4. Subject matter jurisdiction was grounded in the federal question statute, 28 U.S.C.A. § 1331 (West 1993), since Versa's cause of action arises under Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125(a) (West Supp. 1994). Personal jurisdiction was based on the defendant's consent. The court exercised supplemental jurisdiction over plaintiff's pendent state law claim.

B-316 was nonfunctional. The court next concluded that the B-316's trade dress was "inherently distinctive,"[5] or, in the alternative, possessed acquired distinctiveness because it had acquired secondary meaning.[6] The distinctiveness finding is problematic because the district court evaluated inherent distinctiveness using a legal standard that this court has since held to be improper. *See Duraco Prods., Inc. v. Joy Plastic Enters., Ltd.*, 40 F.3d 1431, 1441-42 (3rd Cir. 1994) (rejecting the trademark distinctiveness taxonomy as the measure of inherent distinctiveness for trade dress in product configurations). And although we can scarcely blame the district court, whose analysis of functionality largely tracked this court's various legal formulations, its finding of nonfunctionality is also problematic in view of the conflicting formulations of functionality used, as outlined in the margin.[7] Although we have misgivings about these two

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5. The court concluded that the trade dress was inherently distinctive because it was "arbitrary," meaning it was "not dictated by functional considerations" (which appears to be the same standard that the court employed for its functionality inquiry).

6. "Secondary meaning" denotes that the purchasing public associates the design of the product with a particular source. Secondary meaning need be proven only if the product is not inherently distinctive. The court held that secondary meaning was established by the length and continuity of the plaintiff's use — here, continuously for 10 years; by the strength of the buyers' mental associations — here, purchasers associate the appearance of the B-316 with Versa; by the extent of sales and advertising — here, Versa has sold tens of thousands of B-316 valves and has advertised widely; and, most persuasively according to the district court, by the evidence of intentional copying.

7. The district court determined that a product feature is functional if and only if "it affects their purpose, action or performance, or the facility or economy of processing, handling or using them." Treating functionality as a matter for fact finding, the court placed the burden on Versa to show that "its trade dress serves no purpose except to identify Versa." But then it held that trade dress is functional only "if it is essential to the use or purpose of the article or . . . affects the cost or quality of the article," that a design is "essential" "only if it is *dictated* by the functions to be performed," and that a design is "essential to [an item's] use" only if the *particular* design of the whole assembly is essential (internal quotation marks omitted, emphases supplied). The court's inquiry thus focused on the extent to which the design feature

issues, it is the district court's third conclusion that forms the focus of our opinion today.

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was related to the usefulness of the product. Then, setting forth yet a third standard, the court held that a product design is nonfunctional if, viewed as a whole, the design "primarily serves a legitimate trademark purpose — identifying the source of the product — . . . even though it might also serve functional purposes" (internal quotation marks omitted).

The several standards for functionality described by the district court reflect varying articulations found in opinions of this court. *Compare, e.g., Merchant & Evans, Inc. v. Roosevelt Bldg. Prods. Co.*, 963 F.2d at 635 (" 'Proof of nonfunctionality generally requires a showing that the element of the product serves no purpose other than identification.' ") (quoting *SK&F, Co. v. Premo Pharmaceutical Lab., Inc.*, 625 F.2d 1055, 1063 (3d Cir. 1980)) *with Merchant & Evans, Inc.*, 963 F.2d at 634 (" '[T]he question is whether a particular feature of a product is substantially related to its value *as a product or service, i.e.*, if the feature is a part of the "function" served, or whether the primary value of a particular feature is the identification of the provider . . . .' ") (quoting *United States Golf Ass'n v. St. Andrews Sys.*, 749 F.2d 1028, 1033-34 (3d Cir. 1984)).

The district court concluded that although a large number of the B-316's features were functional, their combination into a particular form was not. It found that the B-316 valves' overall design did not result from "significant cost and manufacturing considerations," and that if the appearance of the B-316 were altered, "nothing of substantial value in the product [would be] lost." In sum, the district court found that "[t]he appearance of the Versa B-316 valve presents a particular combination and arrangement of design elements that are original to plaintiff's valve, that identify it as a valve of Versa . . . and that distinguish it from other valves. This arrangement of features is not required by the function of the valve itself and is entitled to protection." Pointing to other competing valves, the court found that Bifold could compete with Versa's B-316 without copying Versa's particular configuration.

A party entering a market, the court continued, has a duty "to so name and dress his product as to avoid likelihood of users confusing it with the product of the first comer." Since, in its view, Bifold had overtly and intentionally copied Versa's trade dress in direct competition with Versa, the court concluded that Bifold had infringed Versa's trade dress and engaged in unfair competition. While Bifold could produce a valve with three ports with modular actuators and solenoid feeds, the court said, Bifold could not copy the particular, arbitrary combination and arrangement of design elements that identify and distinguish Versa valves.

The district court held that to prevail on a trade dress infringement claim, a plaintiff must demonstrate a likelihood of confusion, but not actual confusion. It held that Versa could do so here if it could show that an appreciable number of buyers are likely to become confused as to the origin of the Domino Junior valve. Importantly, the court further held that the threshold for likelihood of confusion is lower when a newcomer (or "second comer") violates a long-established trade dress.

The district court then seemed to apply the ten factors for likelihood of confusion that this court enumerated in *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978). *See* CL 57. Under *Scott*, the threshold issue is the question of similarity of product appearances, and the court found that the Domino Junior's appearance was "virtually identical" to the B-316's and hence that there was a likelihood of confusion. The district court reasoned that Bifold's clear designation on the product that it was the manufacturer, while relevant to Bifold's duty to take reasonable steps to prevent deception, was only one factor to be assessed in resolving the confusion issue.

The district court found that "[a]n intent to copy trade dress and/or finding of copying by a junior user is often alone dispositive of a finding of likelihood of confusion," and that since Bifold had copied Versa's design there was a likelihood of confusion. The court also found a likelihood of confusion because of the "competitive proximity" of the goods, which "strongly favors a finding of confusion," since the court found that the Domino Junior can replace the B-316 at the point of conception of the panels.[8]

Although the district court concluded that Versa was not entitled to damages because Bifold had only sold two of its valves in the United States, it granted Versa permanent

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8. The court additionally considered the "strength" of Versa's trade dress, evidence (albeit slim) of actual confusion, the method in which the valves are sold, and the labeling of Bifold's Domino Junior. Finally, the court also essentially held that New Jersey's Unfair Competition Law, 56 N.J.S.A. §4-1 to -2 (1989), and its common law of unfair competition parallel the unfair competition cause of action under Section 43(a), and hence that Versa prevailed on those causes of action as well.

injunctive relief on the ground that the company's goodwill was threatened by Bifold's attempt to reap the benefits of Versa's reputation (by basing the appearance of the Domino Junior on a Versa product). The court determined that the injunction had to cover not only the appearance of the article actually the subject of the lawsuit, but also all "confusingly similar" appearances. It therefore crafted an injunction enjoining Bifold from manufacturing, selling, etc., any *cast* valve which "has an external design and visual appearance confusingly similar to the cast Versa B-316 valve, described herein and shown in Exhibit A." Order and Injunction at 5.[9]

The court then held Versa to be entitled to attorneys' fees. Recognizing that attorneys' fees can be awarded to the "prevailing party" only in "exceptional cases," the court found Bifold's deliberate and willful infringement to be exceptional. This appeal followed. We have jurisdiction under 28 U.S.C. § 1132.

III. Discussion

To obtain trade dress protection for the B-316 under section 43(a) of the Lanham Act, Versa had to prove that (a) the design was non-functional, (b) the design was inherently distinctive or distinctive by virtue of having acquired secondary meaning, *and* (c) there was a likelihood of confusion. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753, 2758 (1992).[10] As discussed *supra*, the district court found that Versa had met each of these requirements, and it therefore permanently enjoined Bifold from copying the B-316's trade dress and ordered Bifold to pay attorney's fees. We limit our discussion to the final element Versa needed to establish to prevail on its trade dress

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9. The court concluded its opinion with the caveat that, should its injunction be overturned, "an alternate albeit less efficacious course can be considered," namely, attaching a metal label providing "made in England" and "not a Versa product" onto the Domino Junior. Mem. op. at 92 n.3.

10. New Jersey statutory and common law of unfair competition require essentially the same elements. *See SK&F, Co.*, 625 F.2d at 1065.

infringement claim — the likelihood of consumer confusion as to the source of Bifold's Domino Junior.

Such consumer confusion is, of course, at the heart of trademark law. *See, e.g., Freixenet, S.A. v. Admiral Wine & Liquor Co.*, 731 F.2d 148, 151 (3d Cir. 1984). Likelihood of confusion is a factual matter, subject to review for clear error, *see Ciba-Geigy Corp. v. Bolar Pharmaceutical Co.*, 747 F.2d 844, 851 (3d Cir. 1984), which exists when, "giving all due deference to the opportunity of the trial judge to evaluate the credibility of witnesses and to weigh the evidence," *Litton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1445 (Fed. Cir. 1984) (emphasis omitted) (citing *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 855, 102 S. Ct. 2182, 2188 (1982)), we are "left with a definite and firm conviction that a mistake has been committed," *Anderson v. Bessemer City*, 470 U.S. 564, 573, 105 S. Ct. 1504, 1511 (1985).

A. "Likelihood" vs. "Possibility" of Confusion

Generally, "the law does not require that a competitor *insure* against all possible confusion or the likelihood thereof." CHARLES E. MCKENNEY & GEORGE F. LONG, III, FEDERAL UNFAIR COMPETITION: LANHAM ACT § 43(a) § 3.08[1], at 3-71 (1989, Release #5, May 1994) [hereinafter MCKENNEY & LONG, FEDERAL UNFAIR COMPETITION]. Rather, a plaintiff may prevail in a trade dress infringement action only if it shows that an appreciable number of ordinarily prudent consumers of the type of product in question are likely to be confused as to the source of the goods. *See, e.g., Nikon, Inc. v. Ikon Corp.*, 987 F.2d 91, 94 (2d Cir. 1993); *West Point Mfg. Co. v. Detroit Stamping Co.*, 222 F.2d 581, 589 & n.2 (6th Cir. 1955). "The mere possibility that a customer may be misled is not enough." *Surgical Supply Serv., Inc. v. Adler*, 321 F.2d 536, 539 (3d Cir. 1963).

Although this usual formulation of trade dress infringement requires a showing of a likelihood or probability of confusion, this standard has been relaxed in some cases. Where an alleged infringer was new to an area and the plaintiff was well-established, this court has at times replaced the "likelihood of confusion" requirement

with a lower "possibility of confusion" standard. These cases have all involved actions for trade*mark* or trade*name* infringement, not trade dress, and certainly not trade dress alleged in a product configuration. *See Merchant & Evans, Inc. v. Roosevelt Bldg. Prods. Co.*, 963 F.2d 628, 637-38 (3d Cir. 1992) (considering "possibility of confusion" with respect to "a name or mark," in particular, a "'Z' logo" alleged to be confusingly similar to a "'Zip-Rib' trademark"); *Country Floors, Inc. v. Partnership Composed of Gepner & Ford*, 930 F.2d 1056, 1065 (3d Cir. 1991) (directing application of "possibility of confusion" standard to "Country Tiles" and "Country Floors" names or marks); *Telechron, Inc. v. Telicon Corp.*, 198 F.2d 903, 908-09 ("a case of a first coined word and a second coined word resembling it"). We must therefore consider whether the "possibility of confusion" standard should govern product configuration trade dress cases. Since unfair competition law regarding product configurations will diverge substantially in its incidents from the law regarding product packaging, *Duraco*, 40 F.3d at 1439, we begin our consideration by examining the rationale underlying the "possibility of confusion" cases.

Telechron, Inc. offered some explanation for the lowering of the requirements for showing trademark infringement in certain situations. In that case the plaintiff used the name "Telechron" starting in 1919 as a trademark for its electric clocks and other timing and switching devices. The defendant Telicon Corporation began marketing radio and television sets under the "Telicon" name for the first time in 1946. Agreeing with the district court, this court held that "'Telicon' is a colorable imitation of 'Telechron' within the conception of trade-mark infringement." *Telechron, Inc.*, 198 F.2d at 908.

In an opinion by Judge Hastie, the court explained that the "'degree of resemblance necessary to constitute an infringement is incapable of exact definition.'" *Telechron, Inc.*, 198 F.2d at 908 (quoting *McLean v. Fleming*, 96 U.S. (6 Otto) 245, 251 (1877)). We emphasized the strong aural similarity of the marks and the evidence of actual confusion, concluding that the evidence was "adequate substantiation of tendency to confusion inherent in the

obvious similarity of the words themselves." *Telechron, Inc.*, 198 F.2d at 908. Only then, expressly as an additional consideration, did we observe that this was "a type of case where a court properly requires the second comer to stay clearly away from the original mark," and thus that " 'any possible doubt of the likelihood of damage should be resolved in favor of the [first user].' " *Id.* at 908-09 (quoting *Lambert Pharmacal Co. v. Bolton Chem. Corp.*, 219 F. 325, 326 (S.D.N.Y. 1915) (Learned Hand, J.)).

We recognize that application of the "keep clear" policy embodied by the trademark "possibility of confusion" standard would not be entirely senseless in the context of alleged infringement of trade dress, even where the dress consists not in a product's packaging but in a *non*functional product configuration. To the extent that product configurations are protectable, a Johnny-come-lately copier arguably creates a greater risk than one who more promptly markets a copy that consumers will be misled by a substantially identical configuration into thinking the newcomer's product to be that of the established business, for there will have been more time for the public to come to associate that configuration with a single source. In and of itself, however, that is no reason to change the measure of confusion (from "probability" to "possibility") required to make out a Lanham Act violation. Rather, it is at most a factor properly taken into account in assessing the likelihood of confusion.

The trademark "possibility of confusion" standard must therefore be supported by other considerations. We believe that the primary reasons for lowering the measure of confusion when a newcomer copies an established trademark are the general lack of legitimate reasons for copying a competitor's mark, *see, e.g., American Chicle Co. v. Topps Chewing Gum, Inc.*, 208 F.2d 560, 562-63 (2d Cir. 1953) (" 'Why [the defendant] should have chosen a mark that had long been employed by [the plaintiff] and had become known to the trade instead of adopting some other means of identifying its goods is hard to see unless there was a deliberate purpose to obtain some advantage from the trade which [the plaintiff] had built up.' "), and the high degree of reliance by consumers on trademarks as

indicators of the source of products. Whether or not these considerations translate to the realm of product packaging, we think that with respect to product configurations the significance of each of the factors is greatly diminished.

First, the mere copying of product configurations does not suggest that the copier was necessarily trying to capitalize on the goodwill of the source of the original product. *See Duraco*, 40 F.3d at 1453; *see also infra* at 27-31 (discussing implications of defendant's intent to copy). A presumption to the contrary would be mandated, if ever, only in the narrow class of cases where both (1) a product configuration is desirable to consumers primarily because of the configuration's inherent or acquired identification with the original source, and (2) the copier adopts affirmatively misleading labeling and/or marketing for the copied product, *cf. Quaker Oats Co. v. General Mills, Inc.*, 134 F.2d 429, 432 (7th Cir. 1943) ("The pirate flies the flag of the one he would loot. The free and honorable non-pirate flies the colors of his own distinctive ensign.").

Second, although a product's trade dress in the form of its configuration could function as an indicator of the product's source, product configurations in general are not reliable as source indicators, for functional configurations are not protected and thus may be freely copied, *see Duraco*, 40 F.3d at 1441, 1448-49, 1451, and inherently distinctive configurations will be rare, *see id.* at 1446. Since substantially identical products are often sold by different manufacturers under different names, consumers are accustomed to relying on product packaging and trademarks to identify product sources. Indeed, if any modification of the likelihood of confusion standard is justified in the product configuration context, the standard might well be heightened, perhaps to a "high probability of confusion." Nevertheless, we see no need to adopt such a standard today, preferring for now merely to reject the "possibility of confusion" standard for product configuration infringement cases, and adhering to the conventional "likelihood of confusion" standard.

B. The Scott *Factors in the Product Configuration Context*

Having concluded that the appropriate standard in this product configuration trade dress infringement action is a

likelihood of confusion, we must determine what that inquiry entails in this context. Although the law of trade dress in product configurations will differ in key respects from the law of trademarks or of trade dress in product packaging, settled law provides the starting point for our analysis.

We stated in *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 297 (3d Cir.), *cert. denied*, 112 S. Ct. 373 (1991), that the analysis of the likelihood of confusion requires a court to evaluate a number of factors:

> (1) the degree of similarity between the owner's mark and the alleged infringing mark; (2) the strength of [the] owner's mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time [the] defendant has used the mark without evidence of actual confusion arising; (5) the intent of the defendant in adopting the mark; (6) the evidence of actual confusion; (7) whether the goods, though not in competition, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sale efforts are the same; (9) the relationship of the goods in the minds of the public because of the similarity of function; (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market.

Id. at 293 (citing *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978)); *accord Charles Jacquin et Cie, Inc. v. Destileria Serralles, Inc.*, 921 F.2d 467, 474-75 (3d Cir. 1990); *cf.* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 (Tent. Draft No. 2, Mar. 23, 1990). This test was developed not for product configuration cases but for "cases of alleged trademark infringement and unfair competition by a producer of a non-competing product," *see Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 473 (3d Cir. 1994), and not all of the factors will be appropriate for or function the same way with respect to trade dress inhering in a product configuration, so we consider them in turn.

1. Similarity of Appearance (Scott Factor 1)

In trademark infringement cases, the first and primary factor to be considered in the likelihood of confusion inquiry is "the degree of similarity between the owner's mark and the alleged infringing mark." *See Ford Motor Co.*, 930 F.2d at 293. In trade dress infringement cases where product packaging is at issue, the corresponding factor is the similarity of the protectable trade dress. Similarity of appearance is properly considered paramount in trademark and product packaging trade dress infringement cases, for unless the allegedly infringing mark or dress is substantially similar to the protectable mark or dress, it is highly unlikely that consumers will confuse the product sources represented by the different marks or trade dresses.

For the same reason, substantial similarity of appearance is necessarily a prerequisite to a finding of likelihood of confusion in product configuration cases. Unlike in trademark or product packaging trade dress cases, however, a finding of substantial similarity of trade dress in a product configuration does not by itself strongly suggest a likelihood of confusion. Consumers have grown accustomed to relying on trademarks as trustworthy indicators of the source of the product: that is the point of a trademark. Perhaps to a somewhat lesser extent, consumers also rely on other aspects of product packaging to identify the manufacturer. Such behavior is rational, for in a trademark or product packaging case, all the consumer usually has to go on to identify the source of the product is the trademark and packaging (and any marketing featuring that mark or packaging).

In a product configuration trade dress infringement case, by contrast, consumers do not have to rely on a potentially distinctive configuration to identify the source of the product;[11] rather, they can generally look to the packaging, trademarks, and advertising used to market the product, which are typically much less ambiguous. Consumers therefore have less need, and so are much less likely, to

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11. The product configuration may have acquired distinctiveness, or it may be inherently distinctive.

rely on a product configuration as an indicator of the product's source. Accordingly, they are less likely to be confused as to the sources of two products with substantially similar configurations. Thus, in trade dress infringement suits where the dress inheres in a product configuration, the primary factors to be considered in assessing likelihood of confusion are the product's labeling, packaging, and advertisements.[12] "The most common and effective means of apprising intending purchasers of the source of goods is a prominent disclosure on the container, package, wrapper, or label of the manufacturer's or trader's name . . . [and when] that is done, there is no basis for a charge of unfair competition." *Venn v. Goedert*, 319 F.2d 812, 816 (8th Cir. 1963), *quoted in Litton Sys., Inc.*, 728 F.2d at 1446.

Indeed, except where consumers ordinarily exercise virtually no care in selecting a particular type of product (as may be the case with inexpensive disposable or consumable items, *cf. Venn, supra* (cookies)), clarity of labeling in packaging and advertising will suffice to preclude almost all possibility of consumer confusion as to source stemming from the product's configuration. *Cf. Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 309 (2d Cir. 1972) ("The presence of [the source's] name on the product [stereo speaker cabinets] goes far to *eliminate* confusion of origin.") (emphasis supplied); *id.* at 310 ("[T]here is hardly likelihood of confusion or palming off when the name of the manufacturer is clearly displayed.").

*2. Strength of the Owner's Mark (*Scott *Factor 2)*

In trademark cases, the strength of the owner's mark directly affects the likelihood that consumers will be confused as to the sources of products bearing substantially similar marks. Strength includes both "[d]istinctiveness on the scale of trademarks" and

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12. This observation is consistent with our discussion of the *Scott* factors (also known as the *Lapp* factors, after *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460 (3d Cir. 1983)) in *Fisons Horticulture, Inc.*, 30 F.3d at 476 n.11, where we stated: "The weight given to each factor in the overall picture, as well as its weighing for a plaintiff or defendant, must be done on an individual fact-specific basis."

"[c]ommercial strength, or marketplace recognition." *Fisons Horticulture, Inc.*, 30 F.3d at 479. A strong trademark is thus one that carries widespread, immediate recognition that one producer (even if unknown) is associated with the mark, and so with the product. If a second comer adopts a mark substantially identical to a strong mark, there is a correspondingly high likelihood that consumers will mistakenly associate the newcomer's product with the owner of the strong mark. The same may be said of a "strong" trade dress consisting of a product's packaging.

But these observations do not translate literally into the product configuration context. As we have explained elsewhere, the trademark distinctiveness scale is ill-suited for application to trade dress inhering in a product configuration. *See Duraco*, 40 F.3d at 1440-42. Having rejected the distinctiveness scale in this context, we are left with commercial strength as the measure of trade dress strength in a product configuration. Yet strength of a product configuration must mean more than the *ability* of large numbers of consumers to identify the configuration as coming from a particular producer. This would sanction too much reliance by consumers on product designs that, lacking the protection of a patent, are in large measure copyable at will. *Cf. Duraco*, 40 F.3d at 1447-48 (criticizing the "capable of distinguishing" interpretation of distinctive trade dress).

Rather, "strength" of product configuration as relevant to determining likelihood of confusion on the part of ordinarily careful consumers should be found only if consumers *rely* on the product's configuration to identify the producer of the good. This may perhaps be the case with products purchased largely *because of* their appearance, such as "Carebears," *cf. American Greetings Corp.*, 807 F.2d at 1142. Such focus, however, is not generally found in and should not be encouraged in the industrial design context, where product appearance typically plays a lesser role in buyers' selection processes. Hence, to differentiate between these types of product configuration cases, courts should require evidence of actual *reliance* by consumers on a particular product configuration as a source indicator before crediting that configuration's "strength" toward likelihood of confusion.

3. Attention Expected of Consumers (Scott Factor 3)

The third *Scott* factor is "the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase." "The greater the care and attention, the less the likelihood of confusion." *Fisons Horticulture, Inc.*, 30 F.3d at 476 n.12. We believe that this factor takes on enhanced importance when a claim is made for infringement of trade dress in a product configuration, both as a result of the intersection of the patent laws with the Lanham Act, and as a function of the difference between a trademark and a product configuration.

The penumbra of the federal patent laws restricts the degree to which courts may grant legal recognition of consumer reliance on product configurations as source indicators, for their limited scope of protection impliedly imposes restraint on the workings of Section 43(a). Accordingly, we must bear in mind the Supreme Court's counsel that "mere inability of the public to tell two identical articles apart is not enough to support an injunction against copying . . . that which the federal patent laws permit to be copied." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232, 84 S. Ct. 784, 789 (1964).[13] "[T]he federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain," *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237, 84 S. Ct. 779, 782 (1964), is "an ever-present consideration," McKenney & Long, Federal Unfair Competition § 5.03, at 5-25.

Furthermore, one expects a consumer exercising ordinary care to ascertain the source of a product to rely much more on packaging, trademarks, and advertising, which if not deceptive tend to reveal the product's source unambiguously, than on the product configuration, which

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13. We recognize that we deal here not only with state unfair competition law but also with a federal statute. It is therefore true that the Supremacy Clause does not, as in *Sears, Roebuck & Co.*, 376 U.S. at 225, and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S. Ct. 779 (1964), operate to bar Section 43(a) from protecting trade dress in the form of the product configuration of Versa's B-316 valve.

usually does not contain an explicit statement of the producer's identity. While it might be shown that consumers *in fact rely* on a particular product's configuration to identify its source, such deviation from the normal pattern (i.e, from reliance on trademarks, packaging, and advertising) would be rare. Because clear labeling thus should generally be legally and factually sufficient to remedy confusion where unpatented product configurations are at issue, clarity of labeling (and marketing) must be taken into account in considering whether there is a likelihood that consumers *exercising ordinary care* will be confused as to the sources of substantially identical products.

Much as courts are required to police the boundaries of similarity within which a jury may be permitted to find a likelihood of confusion under the Lanham Act, *Country Floors, Inc.*, 930 F.2d at 1063, courts must also establish the perimeters of ordinary care that constrain likelihood of confusion. The following non-exhaustive considerations should guide a court's determination of the standard of ordinary care for a particular product. Inexpensive goods require consumers to exercise less care in their selection than expensive ones. The more important the use of a product, the more care that must be exercised in its selection. In addition, "the degree of caution used . . . depends on the relevant buying class. That is, some buyer classes, for example, professional buyers . . . will be held to a higher standard of care than others. Where the buyer class consists of both professional buyers and consumers, ... the standard of care to be exercised by the reasonably prudent purchaser will be equal to that of the least sophisticated consumer in the class." *Ford Motor Co.*, 930 F.2d at 293.

4. Actual Confusion or Lack Thereof (Scott Factors 4 & 6)

The fourth *Scott* factor is "the length of time defendant has used the mark without evidence of actual confusion arising." While we hold that this factor applies to product configuration cases as well as to trademark and product packaging cases (for it is obviously relevant), we take this opportunity to underscore the role of the "lack of actual confusion" factor. If a defendant's product has been sold for

an appreciable period of time without evidence of actual confusion, one can infer that continued marketing will not lead to consumer confusion in the future. The longer the challenged product has been in use, the stronger this inference will be.

"Evidence of actual confusion" (the sixth *Scott* factor bearing on likelihood of confusion) is similarly relevant: the more evidence of actual confusion that a plaintiff can muster, the stronger the likelihood of confusion in the future, but lack of evidence of actual confusion (at least where the time period that the two products have been in competition is short or "when the particular circumstances [do not] indicate such evidence should have been available," *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 353 (9th Cir. 1979)) does not raise an inference that there is no likelihood of confusion. As the case law makes clear, proof of actual confusion is not required for a successful trade dress infringement action under the Lanham Act. *Ford Motor Co.*, 930 F.2d at 292 (quoting *Opticians Ass'n v. Independent Opticians*, 920 F.2d 187, 195 (3d Cir. 1990)); *accord* 2 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 23:2 (2d ed. 1984); *id.* § 23:20.

We see no reason that these factors would not also apply to product configuration cases. However, we emphasize again, *see supra* at 24-25, that to make out unfair competition a plaintiff must show a likelihood that a consumer exercising ordinary care to discover the identity of the source would suffer confusion or be mistaken because of the appearance of the allegedly infringing product configuration. Thus, instances of actual confusion may not weigh in favor of a finding of likelihood of confusion unless the confused consumer was acting with the care expected of consumers purchasing the type of good at issue. *See G.D. Searle & Co. v. Hudson Pharmaceutical Corp.*, 715 F.2d 837, 840 & n.6 (1983) (ignoring testimony of witness who "was not acting as a reasonably prudent consumer of the type of goods in issue when purchasing the product").

5. Defendant's Intent (Scott Factor 5)

The fifth *Scott* factor is "the intent of the defendant in adopting the mark." Whatever merit this factor may have in

the context of trademark and product packaging trade dress cases, we doubt that it is an appropriate consideration in a trade dress infringement case where the trade dress is alleged in the product configuration itself. In the likelihood of confusion inquiry in trademark cases and product packaging trade dress cases, we do not focus on a defendant's bare *intent to adopt* a mark or product packaging substantially identical to a plaintiff's mark or packaging, since there is little basis in fact or logic for supposing from a defendant's *intent* to copy (without more) that the defendant's *actions* will in fact result in confusion. Thus, what we have held is that a defendant's *intent to confuse or deceive* consumers as to the product's source may be highly probative of likelihood of confusion. *See American Home Prods. v. Barr Lab., Inc.*, 834 F.2d 368, 371 (3d Cir. 1987) (product packaging case — color of pain relief medication); *see also Fisons Horticulture, Inc.*, 30 F.3d at 479-80 (identifying "intent of promoting confusion and appropriating the prior user's good will" as appropriate inquiry in forward confusion cases) (internal quotation marks omitted) (trademark case — marks "Fairway" and "Fairway Green"); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 960 (7th Cir. 1992) ("[T]he defendant's intent is relevant to the issue of likelihood of confusion only if he intended to palm off his products as those of another." (internal quotation marks omitted) (trademark case — words "Thirst Aid" used in advertising campaign); *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1385 (9th Cir. 1987) ("Intent of a defendant in adopting his trade dress is a critical factor, since if the trade dress were adopted with the intent of depriving benefit from the reputation *of the plaintiff*, that fact alone may be sufficient to justify the inference that there is a confusing similarity.") (emphasis supplied) (product packaging case — color and shape of antifreeze jug).

Because *American Home Products* involved a claim that the *color* of a rival producer's ibuprofen tablet infringed the trade dress of the plaintiff's Advil tablet, we believe that the case is closer to a product packaging case than a product configuration case. Even were we to consider it a product configuration case, however, *American Home Products* is consistent with our present discussion of defendant's

intent. Judge Seitz's opinion did not hold that independent significance must be accorded a defendant's mere intent to copy; rather, it held that "intent to confuse *might* be highly probative of likelihood of confusion" and that "*[a]t most*, defendant's intent is *a factor* tending to suggest likelihood of confusion." *American Home Prods., Inc.*, 834 F.2d at 371 (emphases supplied). In what follows, we simply clarify this circuit's intent-to-confuse rule for product configuration cases, delineating the circumstances under which a defendant's intent to confuse or deceive consumers may be considered a factor in the likelihood of confusion inquiry.

We realize that some courts have adopted a broader rule holding that a defendant's intent to copy strongly supports an inference of likelihood of confusion. *See, e.g., Bauer Lamp Co. v. Shaffer*, 941 F.2d 1165, 1172 (11th Cir. 1991); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 258 (2d Cir. 1987). Like the intent-to-confuse rule, this intent-to-copy rule relies essentially on a (rebuttable) presumption of efficacy — although the intent-to-copy rule requires a double inference, *see, e.g., Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 618 F.2d 950, 954 (2d Cir. 1980) ("If there was intentional copying the second comer will be presumed to have intended to create a confusing similarity of appearance and will be presumed to have succeeded.") — since the defendant's intent standing alone (without reference to the defendant's competence and the nature of the defendant's actions) reveals little about the probable outcome of the defendant's conduct.[14]

The justification for these inferences in a trademark or product packaging case is that there is little or no

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14. Thus we must disagree with one commentary, which, relying on case law (but not attempting to defend or explain its assertion), states: "Once intent to benefit or capitalize under Section 43(a) is found, the presumption or inference of likelihood of confusion *logically* ensues." McKenney & Long, Federal Unfair Competition § 3.08[11][c] (emphasis supplied). Indeed, we note that this treatise contains a passage that, at least when generalized, illustrates the fallacy of the intent presumption: "the *fact* of likelihood of confusion [or lack thereof] among members of the relevant trade and purchasing public may be discerned by a court even if a defendant intended to realize a contrary result." *Id.* § 3.08[11][a].

competitive need to copy another's distinctive symbol or presentation to sell one's product, and that anyone who does so is most likely trying to cash in on the competitor's goodwill attached to the competitor's mark or packaging in order to sell his or her own product. *See, e.g.*, 2 McCarthy, Trademarks and Unfair Competition § 23.33 ("[W]e can readily read into defendant's choice of a confusingly similar mark the intent to get a free ride upon the reputation of a well known mark."). This presumption largely duplicates the weight given to the substantial-identity-of-appearance factor (*Scott* factor 1) in the likelihood of confusion inquiry, and the extra weight assigned to the intent to deceive is somewhat punitive. *Cf.* 2 McCarthy, Trademarks and Unfair Competition § 23.32 ("Where there is hard evidence of defendant's intention to get a free ride on plaintiff's reputation, the court is free to engage in the traditional rhetoric which accompanies punishing the evildoer[.]").

Although these two types of inference from defendant's intent do not directly serve the purpose of preventing consumer confusion or misappropriation of a producer's goodwill — either of which might arise from good faith or bad faith actions — the inferences may serve as a deterrent to infringement. But where product configurations are concerned, we believe there is little room for deterrence if appropriate labeling and marketing are undertaken.

One primary purpose of the Lanham Act is to foster fair competition. *See, e.g., Merchant & Evans, Inc.*, 963 F.2d at 640 n.13 (citing *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193, 105 S. Ct. 658, 661 (1985), and Jay Dratler, Jr., *Trademark Protection for Industrial Designs*, 1988 U. Ill. L. Rev. 887, 926 n.10). Indeed, we have said that prevention of unfair competition is the doctrinal basis for trade dress infringement suits under the Act. *American Greetings Corp., Inc.*, 807 F.2d at 1140-41 & n.2. Where product configurations are concerned, we must be especially wary of undermining competition. Competitors have broad rights to copy successful product designs when those designs are not protected by (utility or design) patents. It is not unfair competition for someone to trade off the goodwill of a *product*, *see Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 121, 59 S. Ct. 109, 115 (1938); it is only

unfair to deceive consumers as to the origin of one's goods and thereby trade off the goodwill of a prior *producer*. *See also Duraco*, 40 F.3d at 1445.

Unless very narrowly tailored, deterrents to copying of product designs — as opposed to product packaging or trademarks — would inhibit even fair competition, thus distorting the Lanham Act's purpose. We believe that the best way to further Congress's intent is to limit carefully the scope of any possible deterrence of competition. *Cf. Merchant & Evans, Inc.*, 963 F.2d at 640 ("[C]ourts should tailor trademark remedies to decrease the likelihood of confusion without unnecessarily inhibiting competition."). Recognizing that trademark and trade dress cases on one hand and patent cases on the other do not involve identical considerations, we nevertheless turn for guidance in this task to patent cases concerning defendants' intent, for, as we have noted, we must decide product configuration cases so as harmonize with the federal patent laws. *See supra* at 24-25.

In patent infringement cases, a defendant's bad intent is relevant in at least two contexts. First, under the doctrine of inequitable conduct, infringement claims may be rendered unenforceable if a plaintiff intended to deceive the Patent Office by failing to disclose material evidence. *See, e.g., Braun, Inc. v. Dynamics Corp. of America*, 975 F.2d 815, 822 (Fed. Cir. 1992); *Allen Organ Co. v. Kimball Int'l, Inc.*, 839 F.2d 1556, 1567-68 (Fed. Cir. 1988). Second, a plaintiff may receive increased damages where a defendant willfully infringed its patent. *See, e.g., Braun, Inc.*, 975 F.2d at 822; *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1440 (Fed. Cir. 1988). In either case, however, the plaintiff must prove by clear and convincing evidence that the defendant had the relevant bad intent. *See, e.g., Braun, Inc.*, 975 F.2d at 822 (intent to deceive Patent Office and willful infringement); *Allen Organ Co.*, 839 F.2d at 1567 (intent to deceive Patent Office); *E.I. du Pont de Nemours & Co.*, 849 F.2d at 1440 (willful infringement). Although in the present context we are not dealing with increased damages or actions taken by the Patent Office, product configuration trade dress cases nonetheless implicate patent-like restrictions on competition. Like the

doctrine of inequitable conduct, a heightened evidentiary standard would serve to ensure that deviations from the "the federal policy . . . of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain," *Compco Corp.*, 376 U.S. at 237, 84 S. Ct. at 782, are not casually countenanced. And much as the burden of proof for willful infringement assures that competitors are not penalized by increased damage awards without compelling evidence, we think it similarly important to competitors — as well as the public — that competition not be hobbled by monetary damages or injunctive prohibitions absent similarly compelling evidence.

Accordingly, for all the foregoing reasons, we hold that in the product configuration context, a defendant's intent weighs in favor of a finding of likelihood of confusion only if intent to confuse or deceive is demonstrated by clear and convincing evidence, and only where the product's labeling and marketing are also affirmatively misleading. Of course, a plaintiff might succeed in proving likelihood of confusion without evidence of affirmative deception. We only hold that, to be considered as evidence of a likelihood of confusion in a product configuration case, the defendant's intent must meet the conditions we have set forth.

6. Marketing Considerations (Scott Factors 7-10)

The remaining factors identified by *Scott* as bearing on the likelihood of confusion address various aspects of the marketing of the products. In the product configuration context, none of these four factors tends to establish a probability of confusion, rather than a mere possibility, and thus we conclude that they should be treated as necessary but insufficient conditions for showing a likelihood of confusion.

The seventh *Scott* factor is "whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media." We believe that this factor, which is explicitly formulated for application to non-competing products, serves primarily to establish the possibility of confusion and carries little weight toward establishing the probability of confusion; if not shown, it may exonerate a defendant, but if

established, it merely allows the plaintiff's case to go forward. Moreover, it will rarely need to be considered in a product configuration trade dress infringement case, for the goods at issue will almost by definition be in competition.

"The extent to which the targets of the parties' sale efforts are the same" is the eighth *Scott* factor. Like the marketing channel inquiry, this factor was developed largely for non-competing products, *see, e.g., Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462-63 (3d Cir. 1983); *Scott Paper Co.*, 589 F.2d at 1229-30, and relates more to the possibility than the probability of confusion. Particularly in a product configuration case, this factor should be considered necessary but not sufficient: If different consumers buy the defendant's product and the plaintiff's product, the defendant will typically win; if substantially overlapping audiences buy the products, the plaintiff does not automatically win, but will usually have the opportunity to further develop its case for likelihood of confusion.

"The relationship of the goods in the minds of the public because of the similarity of function" and "other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market" are the ninth and tenth *Scott* factors for determining likelihood of confusion. Bearing in mind that these factors also were developed for non-competing products, we believe that they are largely superfluous in product configuration cases. The requisite similarity of trade dress *in the product designs themselves* would in most cases presuppose a similarity of function between the products at issue. Hence, some measure of so-called "competitive proximity" will always be present in product configuration trade dress infringement cases and therefore, while a necessary condition for there to be a likelihood of confusion, this factor is not a sufficient condition, nor does it by itself create a strong presumption that confusion is likely to ensue.

C. The Balance of the Modified Scott *Factors Here*

In this case, "[t]he dispositive issue is . . . consumer confusion as to source. Regardless of how much secondary

meaning it possesses, a product's trade dress will not be protected from an imitator that is sufficiently different in its features to avoid such confusion." *Freixenet, S.A. v. Admiral Wine & Liquor Co.*, 731 F.2d at 151. For the reasons we explained above, we believe that the district court committed legal error in initially applying a "possibility of confusion" standard, and, applying the (modified) *Scott* factors, we conclude that it clearly erred in inferring from the evidence and testimony that an appreciable number of buyers are likely to be confused as to the origin of Bifold's Domino Junior valve. *See* CL 55, 62, 64.

1. The Governing Standard: Likelihood of Confusion

The district court held that

> [a] lower standard for "likelihood of confusion" is applied where a newcomer to an area already occupied by a long established entity is the alleged violator. The Third Circuit uses the phrase "possibility of confusion" to describe this standard.

CL 56 (citations omitted). As we explained above, *see supra* at 16-19, this standard is inapplicable in product configuration cases. We decline, however, to reverse on this basis.

Although the district court announced the "possibility of confusion" standard in its Conclusions of Law, it appears that the court might not have relied on the lowered threshold in finding for the plaintiff. None of the other "Conclusions" bearing on the issue of confusion included the "possibility" language; those that mentioned any measure used "likelihood" of confusion, the correct standard. Accordingly, in an excess of caution, we treat Conclusion of Law 56 as surplusage, and review the judgment for clear error with respect to the conclusion that Bifold's actions present a *likelihood* of confusion, *Ciba-Geigy Corp.*, 747 F.2d at 851. We apply the *Scott* factors as modified, *see supra* Section II.B.

2. Viability of the District Court's Similarity Fact Finding

The district court correctly identified the similarity of product appearances (*Scott* factor 1) as the threshold inquiry in ascertaining likelihood of confusion. However, it

improperly imported the trademark/product packaging standard for the weight to be assigned this factor, holding that "if the overall impression created by the trade dress is essentially the same, it is very probable that the products are confusingly similar." From there, it apparently reasoned that because "[t]he overall appearance of the Versa B-316 valve and the Bifold Domino Junior valve is virtually identical[,] there is a likelihood of confusion." *See also* CL 64 ("Bifold Domino Junior valves have a very similar appearance to Versa B-316 valves; there is a likelihood of confusion.").

Despite the appreciable differences between the valves' appearances, *see supra* at 7-8, we do not hold the district court's finding of similarity of appearance to be clearly erroneous. But in a product configuration case, the similarity of the product designs does not alone give rise to a strong inference of likelihood of confusion, *see supra* at 21-22, since the greatest weight must be given to the primary means by which consumers identify the products' sources: packaging, trademarks, and advertising. Accordingly, the similar appearance of the two valves' designs allows Versa to argue — but does not establish — a likelihood of confusion. The district court's findings concerning the trade channels and advertising media used by Bifold and Versa (*Scott* factor 7) and Bifold's targeting of the same customer group (*Scott* factor 8) similarly do little to establish likelihood of confusion.

3. Intent, Competitive Proximity, and Likelihood of Confusion

Compounding its error regarding the effect of the similarity of the valves' appearances, the court asserted that "[a]n intent to copy trade dress and/or finding of copying by a junior user is often alone dispositive of a finding of likelihood of confusion." Even as concerns trademarks and product packaging, however, only an *intent to deceive or confuse* consumers can suffice to raise a presumption of likelihood of confusion in this circuit. *See supra* at 27. Moreover, in a product configuration case the defendant's intent (*Scott* factor 5) is not relevant to the issue of likelihood of confusion absent affirmatively misleading labeling and marketing. Here, Bifold's

identification of its Domino Junior valves is by no means misleading, *see supra* at 8; *infra* at 42-43, and thus Bifold's intent should not be considered.

Similarly, the district court erred in holding that "[w]hen products are used in the same application, such a competitive proximity of goods *strongly* favors a finding of likelihood of confusion" (emphasis supplied). This proposition finds no support in the two decisions of this court cited by the district court, *see Interpace Corp.*, 721 F.2d at 462; *Scott Paper*, 589 F.2d at 1229, and at all events it is not applicable where trade dress consists in a product configuration, as our previous discussion explains. *See supra* at 32-33.

4. Strength of the Trade Dress and Likelihood of Confusion

Turning to the *Scott* factors that *are* relevant to the likelihood of confusion in this product configuration case, we first note that the "strength" of Versa's trade dress in its B-316 valves' configuration (*Scott* factor 2) may not support a conclusion of likelihood of confusion because there is no evidence that consumers rely on the appearance of the B-316 valve to identify it. *See supra* at 22-24. To the contrary, all the evidence shows that consumers order valves by multi-digit part and model numbers peculiar to the manufacturer. In selecting the valves buyers do not specify the desired appearance but rather designate functional specifications listed in schematic diagrams, specification sheets, and manufacturers' catalogues. Such precision in ordering is necessary, for Versa offers many variations of its valves. Thus, the "strength" of the B-316's trade dress does not bolster Versa's case for a likelihood of confusion.

5. The Evidentiary Role of Actual Confusion

This brings us to evidence of actual confusion (*Scott* factor 6) or the lack thereof (*Scott* factor 4). The district court correctly noted that Versa need not prove actual confusion, only a likelihood of confusion. Although the district court did not address the pertinent evidence in its Conclusions of Law or explicitly rely there on evidence of actual confusion, we will address the Findings of Fact arguably relevant to actual confusion that might support

the district court's conclusion of likelihood of confusion. Our examination confirms that the district court's ultimate conclusion was clearly erroneous, not supported by record evidence, let alone evidence cited anywhere in the opinion.

a. Carr's Involvement Reflects No Actual or Likely Confusion

The district court commenced the "Likelihood of Confusion" section of its Findings of Fact by discussing Bifold's "sole sales representative in the United States." The court found (and there is record evidence to support) that Bifold hired James Carr, III, a former Versa regional marketing manager; that Carr has already tried to sell Bifold products to Gordon Fraleigh, a Versa distributor who knew Carr for a number of years while Carr was a regional sales manager for Versa; and that Carr told Fraleigh that the Bifold valve was an "exact copy" of the Versa B-316, as a result of which there was confusion in Fraleigh's (heightened by Carr's former relationship with Versa) mind as to the relationship between Versa and Bifold.

This depiction of the facts, however, is misleading. It presents only a snapshot of Fraleigh's mental processes, taken from a particular angle at a single instant in time. Examining Fraleigh's uncontested testimony from a different angle reveals the situation more fully: First, the telephone call in question occurred sometime around the early part of 1993, but Fraleigh knew that Carr left Versa's employ in 1990. Thus, at the time of this call, Fraleigh knew Carr was not with Versa; indeed, during the call, Carr told Fraleigh that he was with Bifold, an English company, and he did not say that Bifold was connected with Versa or that its valves were made by Versa. Second, Fraleigh's employer, the Fraleigh Company, distributes the products of about seventy companies, including Versa, and before the call in question Carr had phoned Fraleigh representing various non-Bifold product lines competitive with Versa. Fraleigh was apparently confused only because he had not previously seen duplicate products in the fluid power industry and because Carr had once been a Versa representative.

Moreover, a slightly broadened temporal focus exposes the manifest error in the district court's fact finding.

Initially, we note that Fraleigh's testimony reveals that he did not even know whether Carr was referring to Bifold's Domino Junior valve. Nor did Fraleigh see the valve, for he and Carr conversed by telephone. Fraleigh's testimony, then, cannot be evidence that the *appearance* of the Domino Junior was so like Versa's trade dress that it would confuse consumers as to the sources of the valves. Furthermore, Fraleigh testified that, because of his confusion, he called Versa Products to find out what was going on. Versa's sales manager, Joe Sudol, explained that Bifold was a competing company from England that had copied the B-316. Indeed, he asked Fraleigh to try to get information on Bifold's valve.

Plainly, then, Fraleigh's testimony does not represent an instance of "actual confusion." It reflects only fleeting uncertainty as to the relationship between Bifold and Versa, not a mistaken belief that there was any affiliation between the two companies. Fraleigh was able with minimal effort to procure the modicum of information he needed to dispel his uncertainty.[15] We believe that Fraleigh acted as a

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15. In the absence of evidence to the contrary, it is also most likely that Carr himself would have told Fraleigh the truth — that Bifold is an unaffiliated competitor of Versa — had Fraleigh asked. Courts may not simply *presume* that individuals will lie in direct violation of trademark and unfair competition laws. Indeed, Versa's counsel conceded that "I'm not and cannot offer to this Court that we have proof of a distributor that has done that [i.e., falsely indicated that Bifold is associated with Versa's products]." Nor did Versa even offer other instances in this industry where such misrepresentation had occurred. (Versa Vice-President and Chief Operating Officer Frank Vetter opined only that "it becomes very easy for a Bifold perhaps distributor [sic] to go in and, as you might hear later on in testimony, [say] that this valve is a direct interchange with a Versa valve, it fits in the same place, it performs the same function." This is a far cry from evidence that distributors mispresent the sources of the valves they sell. The district court therefore correctly characterized such testimony as "highly speculative," and Versa's expert witness Gerald Murphy as not qualified to "opine as to whether somebody's going to lie or not."

Pharmaceutical cases relying on possible substitution of one maker's drug for another by pharmacists filling prescriptions are not to the contrary. In such cases, the finding of likelihood of confusion is

prudent distributor-customer of these sorts of valves, and as a result was not confused in the Lanham Act sense.[16]

b. The Wentworth Fax Reflects No Actual Confusion

Second, the district court asserted that at least one customer has forwarded to Bifold a telefax that was initially addressed to Versa. The fax from Trevor Wentworth opened with the following statement: "Derek reference our telecon this morning here are the requirements for the above referenced project." The *original* addressee was Versa, "Attention: Dave," and after those names were crossed out, the same fax was sent to Bifold, "Attention: Derek Close"; the fax number — "Auto" — was unchanged. But this fax may have been a request for competitive bids,[17] including only Versa's part numbers because Wentworth had spoken to Bifold's sales representative by telephone and had not yet been sent any spec sheets; or (although unlikely) it might reflect a customer so befuddled that he could not remember to whom he had spoken that morning, and thus not a customer exercising ordinary care. At all events, there is no evidence that the customer had even seen the appearance of Bifold's Domino Junior valve to be able to confuse it with Versa's trade dress on its B-316 valve. For these reasons, and because there was no testimony at trial

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supported by evidence that improper substitution commonly occurs in prescription filling, and that the minuscule markings on pills with similar trade dress are sufficiently difficult to read by many customers that the markings do not reduce the likelihood of confusion. *See, e.g., SK&F, Co.*, 625 F.2d at 1059 & n.2, 1061.

16. Thus, aside from its bearing on the channels of trade and target audiences, *see supra* at 31-33, evidence that Carr has still been able to get access to Versa valve products and has recently sold Versa valves to the same customers to whom he will be selling Bifold valves is irrelevant to likelihood of confusion.

17. Bifold explains on appeal, and Versa does not contest, that the fax "was a request for a price quote, and the customer was seeking competitive bids." Br. of Appellant, at 38. We do not, however, determine that this explanation is true; rather, we cite it only as a possibility. There was no explanation offered at trial, for the district court at the outset admitted (without discussion) all documentary evidence appearing on a list prepared by either party and not objected to.

concerning this unexplained fax, the district court clearly erred when it used this evidence to buttress its conclusion that there was confusion — actual or likely — as to the sources of the valves or the relationship (or lack thereof) between Versa and Bifold.[18]

c. The Hearsay Evidence Constitutes No Evidence of Confusion

Third, the district court erred in relying on hearsay evidence for the proposition that there was actual confusion. The district court recorded *as a finding of fact* that "When Mr. Frank Vetter was asked by Bifold's attorney for examples of actual confusion between Bifold's Domino Junior valve and Versa's B-316 valve, Mr. Vetter related that he had been advised of confusion at trade shows." We agree that the record reflects Vetter's response. But his answer is pure hearsay: Vetter's testimony upon which the district court relied was that "I have been advised by our sales manager in Europe that there was confusion at trade shows, that people had indicated that the valves resembled, were identical and they would lead to confusion." Vetter could not even identify the people allegedly confused, instead referring Bifold's attorney to "the brief." Moreover, Vetter's response only proves that people thought the valves' appearances were similar, not that they were actually confused by the similar appearances. In this light, even if Vetter's testimony were not hearsay, it still would not demonstrate confusion as to the *sources* of the valves engendered by the similarity in appearance of the valves.

The district court similarly erred in making a finding of fact that "Hans Albert, Sales Manager for Versa, B.V., substantiated that he had discussions with people at the Stavanger, Norway trade show regarding the issue of confusion, including Mr. Ellingston of Hark & Ellingston, a major competitor in Norway[,] and Mr. Ungerskruge, an employee of a company named Holter that manufacture[s]

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18. Since the fax referred to B-series and V-series valves and was sent initially to Versa, we believe that the competitive bid explanation is the only plausible one in the absence of evidence to the contrary. By contrast, a fax sent initially to Versa but asking for a quote on Domino Junior valves would suggest confusion.

wellhead control panels." Again, this testimony is hearsay, to which Bifold objected. Versa then offered it solely to prove that Alberts had a conversation with two identifiable people, and the district court ruled that Albert's testimony must not concern the substance of the conversation. Accordingly, this testimony has no bearing on the issue of the likelihood of consumer confusion as to the sources of the valves, and it was therefore error for the district court to include it as the basis for a finding of fact. Even were the substance of the testimony admissible, Vetter testified only that he spoke with people "with regard to the issue of confusion." Thus, the testimony is not probative of a likelihood of confusion as to source as a result of the alleged trade dress infringement.

d. Summary Concerning Actual Confusion

In sum, we believe that there was no evidence of actual consumer confusion as to source upon which the district court could have relied to find a likelihood of confusion. Moreover, as the district court found, "[o]nly two Domino Junior valves have been sold to date in the United States and those have been sold to Versa's sales representative so that there has been little, if any, opportunity to develop evidence of further confusion in the United States." Accordingly, evidence of actual confusion or lack thereof does not weigh in favor of or against a finding of likelihood of confusion. We turn to the final relevant *Scott* factor.

6. Labeling, Care Expected of Consumers, and Likelihood of Confusion

As noted above, the third *Scott* factor is "the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase." As we have described, this factor is fundamental in product configuration cases, where the most important facts are the marketing and labeling of the similarly configured products. As we now explain, the district court clearly erred in not finding these factors dispositive in this case.

The district court was technically correct in stating that "[t]he fact that the source of the product is clearly designated on the product does not establish that plaintiff has failed to demonstrate a likelihood of confusion as such

an element is simply one factor to be assessed when resolving the confusion issue." However, it failed to appreciate the converse proposition, that a court need not consider all these elements when some are dispositive. *See Freixenet, S.A.*, 731 F.2d at 151-52. Here, as the court properly observed, "[i]n selling a competing valve, Bifold's duty is to take reasonable steps to prevent deception." Under the circumstances, Bifold more than adequately met its duty to take reasonable steps to prevent deception.

a. Bifold's Extensive Labeling Precludes Likelihood of Confusion

Although the configurations of Versa's B-316 and Bifold's Domino Junior valves are quite similar in appearance, we deal here with a product configuration case, and thus the labeling of the products takes on a heightened importance. *See supra* at 21-23. The facts found by the district court clearly show that Bifold took entirely reasonable and adequate steps to prevent confusion.

The district court found that "[t]he name VERSA and the place of origin, 'N.J., U.S.A.,' are cast into the metal [of the B-316 valve body] to identify Versa as the valve's source." Moreover, "[e]very valve body that Versa sells bears a label displaying the VERSA name, logo and part number." Similarly, the court noted that "Bifold casts its name into the DOMINO JUNIOR valve body, and bolts onto the body a metal label displaying the BIFOLD name."

But this brief recitation fails to convey the adequacy of Bifold's efforts. "In the case of a relatively high-priced, single-purchase article, . . . there is hardly likelihood of confusion or palming off when the name of the manufacturer is clearly displayed." *Merchant & Evans, Inc.*, 963 F.2d at 636 (internal quotation marks omitted); *see also Bose Corp.*, 467 F.2d at 310 (same). Here, the metal label bolted onto the Domino Junior valves does more than "display[ ] the BIFOLD name." The name appears in a logo of sorts in a font markedly different from that used in the Versa logo. The label also contains Bifold's part number and a valve serial number, the place of origin (Wigan, England), Bifold's telephone number, and its fax number. Moreover, this is not a case where "[t]he items are relatively

inexpensive and consumers cannot be expected to examine the labels carefully," *Scott Paper Co.*, 589 F.2d at 1230, and even a quick glance at the permanently affixed label reveals that Bifold is the source of the Domino Junior valve. Thus, Bifold's labeling will suffice to dispel any confusion about the valve's source that the configuration of the Domino Junior valve might otherwise engender in purchasers who exercise ordinary care.

b. The Manner in Which the Valves Are Sold Virtually Precludes Likelihood of Confusion

In addition to the clear labeling, the manner in which the valves are marketed further nullifies any likelihood of confusion. As the district court found:

> The Versa B-316 and Bifold DOMINO JUNIOR valves are not sold on a shelf or selected on sight. Buyers order the valves based on functional specifications as shown on schematic diagrams, manufacturer's catalogs or specification sheets and samples available at trade shows and sales presentations.

Moreover, purchasers cannot buy Versa B-316 or Bifold Domino Junior valves by name only. B-316 valves can be purchased only by specifying a multi-digit part number pursuant to Versa's comprehensive part numbering system. Similarly, Bifold requires the use of its own part numbering system, with the numbers obtainable only by reference to a Bifold specification sheet. Finally, as the district court also found, "[t]he purchasers and users of Versa's B-316 valves are qualified, knowledgeable personnel who understand how the valves are to be installed and operated."

The appearance of these valves simply plays no role in the ordering process, which instead requires the use of detailed technical specifications and lengthy, manufacturer-specific part numbers. Under these circumstances, we find it utterly inconceivable that one of — let alone an appreciable number of — the professional buyers of these valves will be confused, by the appearance of the Domino Junior, as to the valves' manufacturers or the relationship between them.

c. Summary of the Labeling and Care Expected of Consumers

The foregoing evidence must be viewed as virtually precluding any likelihood of confusion. These valves are not bought by children or casual consumers, nor are they purchased solely by name. There is no *likelihood* of confusion — indeed, virtually no possibility that the appearance of the Bifold Domino Junior valve body will mislead purchasers into thinking that they are ordering a Domino Junior valve from Versa or a B-316 valve from Bifold, and the enormous safety concerns surrounding the applications where these valves are used increase the already great care used by purchasers of these valves.[19] Typically, they are found in offshore oil drilling control applications, hazardous and demanding environments where loss of human life, major environmental damage (and consequent liability), and huge property loss may be at stake if a valve does not function properly in an emergency shutdown. Because of the dire consequences of using an improper valve, engineers who design the control panels would be expected to exercise a high degree of caution in selecting valves, and thus would be highly unlikely to mistake a Versa B-316 for a Bifold Domino Junior.

Therefore, in light of the importance of the valves, the process by which they are purchased, the sophistication of the consumers, and the clarity of Bifold's labeling, there is no likelihood (or even a realistic possibility) of consumer confusion as to the source of Versa's or Bifold's valves, and we conclude that the district court's contrary finding was clearly erroneous.

7. Private Labeling Theories Do Not Support Likelihood of Confusion

We must still address one additional theory under which the district court found a likelihood of confusion: the

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19. Although Versa intended its witnesses' testimony to highlight the hazards of confusing a Versa valve with a Bifold valve — which would be product confusion, not *source* confusion as required for a Lanham Act violation — the testimony is nonetheless indicative of the care that ordinarily prudent valve consumers may be expected to use.

private labeling theory. The district court concluded, ostensibly as a finding of fact, that

> [g]iven the virtual identity in appearance of the Versa B-316 cast valve and the Bifold DOMINO JUNIOR cast valve and the fact that Bifold has not previously sold products in the United States, anyone in the industry might reasonably assume that Versa had manufactured but privately labelled the Bifold DOMINO JUNIOR valve or that the DOMINO JUNIOR valve is otherwise associated with Versa.

FF 232. The court further concluded that

> [t]he 'second comer' Bifold DOMINO JUNIOR valve looks so similar to the established Versa B-316 valve that it looks like a private label manufactured by Versa. The two valves could be confused; consumers would think that there is some relationship between the two valves and two companies.

FF 233 (citations omitted). Although we believe that these conclusions present mixed questions of fact and law, for the district court focused upon what consumers might "reasonably" assume, we need not invoke plenary review, for we are firmly convinced that they represent clear error, and that the theory of confusion in which they are grounded does not support a claim under the Lanham Act or New Jersey law.

In FF 232, the district court concluded from coincidence of similarity of appearance and recency of entry into a market that consumers might reasonably assume private labeling or some other relationship between the Domino Junior and Versa valves. The district court is correct that the Lanham Act protects against confusion not only as to source but also as to connection between manufacturers of similar products. *See, e.g., Institute for Scientific Info., Inc. v. Gordon & Breach, Science Publishers, Inc.*, 931 F.2d 1002, 1007 (3d Cir. 1991). But the court's inference would potentially subject any new competitor with a product whose appearance resembles that of an established product to an injunction on this private labeling theory. We have simply been presented with no evidence that "private labeling" occurs today on a scale significant enough to

justify such a sweeping extension of the law of unfair competition.

Even a presumption of more limited scope would not support the district court's inference. Where product configurations are at issue, consumers are not generally likely to jump to the "private labeling" conclusion; consider for example Oreo and Hydrox brand sandwich cookies, which are strikingly similar in appearance. Consumers would not have assumed upon later emergence of one brand that the first producer had marketed a slight variation of its cookie under a private label. Rather, as in situations like the present one, consumers generally are more likely to conclude, quite reasonably, that a competitor has entered the market with a substantially identical product.

Second, the record evidence does not support the district court's conclusion. Versa's counsel's opening statement at trial fairly summarized the content of Gerald Murphy's testimony, which formed the sole evidentiary basis for the district court's private labeling conclusion:

> Mr. Murphy [Versa's expert witness] will also tell that as a result of his experience, look-alike products are naturally associated by way of operating characteristics and reputation. Just because the valves look alike, the Bifold Domino Junior valve will command attention from sales representatives and others that it would not otherwise obtain. That it will get sales opportunities from people in this industry that otherwise would not be available to the Bifold Domino Junior product, except for the fact that the Bifold Domino Junior product looks exactly like the Versa B-316 product and is then able to trade off the reputation of the Versa B-316 product.

What Versa and the district court have failed to come to grips with is the precept that "[e]xploiting the 'goodwill of the article,' *Kellogg Co.*, 305 U.S. at 121, 59 S. Ct. at 115 — the attractive features, of whatever nature, that the product holds for consumers — is robust competition; only deceiving consumers, or exploiting the goodwill of another producer, is *unfair* competition." *Duraco*, 40 F.3d at 1445

(one emphasis omitted). Moreover, and most importantly, all of Murphy's non-speculative testimony supported (as Versa said in its opening) a finding of exploitation of the goodwill of, at most, the Versa B-316 *product*, not the Versa identification itself.

Murphy testified about past situations where misfortunes involving valves of one producer led to sales difficulties for other manufacturers of similar valves. He did not testify about incidents where one producer copied another's trade dress, but rather about instances where negative perceptions associated with a particular type of valve were transferred to valves of the same type made by other manufacturers. Thus, his testimony showed the possibility of the ill will of one valve's diminishing the goodwill of a similar valve. But even had Murphy testified that the valves he was discussing had confusingly similar trade dress — which he did *not* — that would not suffice to show that consumers abandoned the type of valve that had manifested defects because they thought all valves of that type came from related sources. Rather, consumer may have abandoned the valves because they assumed that all valves of a similar type shared "operating characteristics."

It is true that in *Badger Meter, Inc. v. Grinnell Corp.*, 13 F.3d 1145 (7th Cir. 1994), the Court of Appeals for the Seventh Circuit relied in part on a private labeling theory to uphold a finding of likelihood of confusion in a trade dress infringement suit by a water meter manufacturer against a competitor who copied the appearance of one line of meters. There, however, the defendant was *known within the relevant market* to have previously sold water meters of another manufacturer under its own label. *Id.* at 1152. Here, in contrast, there is no evidence that Bifold is known in the American market as having a history of selling other valve manufacturers' products under its own label. Thus Versa may not rely on the inference that consumers familiar with an established defendant with a known history of private labeling will assume that it is selling an established plaintiff's product under a private label agreement.

Unable to avail itself of the *Badger Meter* inference, Versa attempts to ensnare Bifold by arguing that because Bifold

is *not* yet known in the American market, valve purchasers may assume that *Versa* has manufactured the Domino Junior but is selling it under a private label. A rule sanctioning this inference would tend to strangle competition by adopting what is in essence a presumption that consumers will believe an established business has a greater market share than it really does. The district court's conclusion that "anyone in the industry might reasonably assume that Versa had manufactured but privately labelled the Bifold DOMINO JUNIOR valve or that the DOMINO JUNIOR valve is otherwise associated with Versa," represents a dramatic extension of the law of unfair competition, one which we cannot believe that Congress intended or that New Jersey would adopt.

We doubt that a company truly concerned about the quality of its valves and its putatively distinctive product configuration would use private labeling. The use of private labeling undermines a claim that a product's appearance denotes its source, because consumers will be less likely to associate the multifariously labeled product with a *single* source. *See, e.g., Tone Bros., Inc. v. Sysco Corp.*, 23 U.S.P.Q.2d 1184, 1190-91 (S.D. Iowa 1992), and cases cited therein. And if Versa were to contend that all the purchasers know that in fact Versa manufactures the valves identified by a private label, we are not certain what the private labeling would accomplish. Moreover, it would seem that any manufacturer employing private labeling for its product necessarily exercises control over that practice, and if it is the *plaintiff's* actions that cause the confusion, the plaintiff will not be heard to complain. *Cf. Weil Ceramics & Glass, Inc. v. Dash*, 878 F.2d 659, 676 (3d Cir. 1989) (Becker, J., concurring) ("[The plaintiff] has in effect engineered the possibility of a likelihood of confusion and therefore infringement in this case. This is not the sort of injury trademark infringement actions under the Lanham Act were intented to remedy."). We decline to establish a rule that would allow a plaintiff to expand its own rights by using private labeling to assure a design monopoly even despite adequate labeling by competitors.

We have explained elsewhere that "the primary concern [behind the trademark act] was to protect consumers and

trademark holders from spurious imitations." *Id.* at 673 (Higginbotham, J., for the court). Where, as here, a second comer has taken steps to conspicuously label its product (however similar to that of an established manufacturer), the newcomer has hardly represented its product to be that of its competitor, and so has not offered a "spurious imitation." Thus, even if there were evidence that Versa uses private labeling, we do not believe that it could form the basis for a finding of likelihood of confusion. As it is, however, there is absolutely no evidence that Versa or any other competitor of Bifold's in the offshore oil well industry uses private labeling. Accordingly, the district court clearly erred when it accepted Versa's argument that Bifold's labeling will not prevent consumer confusion.[20]

IV. Conclusion

To have prevailed in its action for trade dress infringement, Versa needed to show the existence of a likelihood that an appreciable number of consumers of the relevant type of valves would probably be confused as to the source of Bifold's Domino Junior valve or its affiliation (or lack thereof) with Versa. Upon reviewing the trial record, with due regard for the labeling actually used by Bifold, we conclude that Versa failed to meet its burden, and that the district court's finding that Versa had shown a likelihood of confusion is clearly erroneous. We therefore will reverse the order of the district court, and vacate the permanent injunction and award of attorneys' fees against Bifold.

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20. New Jersey's common law and statutory prohibitions of unfair competition (which address, inter alia, "passing off" one's goods as those of another manufacturer and unprivileged imitation) generally parallel the federal cause of action for unfair competition under section 43(a) of the Lanham Act. *See SK&F, Co.*, 625 F.2d at 1065 (3d Cir. 1980). Thus, "private labeling" does no more work for Versa under its state law unfair competition claim (*see supra* at 2-3, 15-16 & n.10) than it does under federal law.

A True Copy:
Teste:

Clerk of the United States Court of Appeals
for the Third Circuit

APPENDIX C

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

CIVIL ACTION NO. 93-2734 (AJL)

Filed February 4, 1994

VERSA PRODUCTS COMPANY, INC.,

Plaintiff,

—v.—

BIFOLD COMPANY (MANUFACTURING), LTD.,

Defendant.

ORDER AND INJUNCTION

This matter having been tried to the court, sitting without a jury, and the issues having been duly tried by the plaintiff, Versa Products Company, Inc. ("Versa"), and the defendant, Bifold Company (Manufacturing), Ltd. ("Bifold"), and the court having heard the testimony of the witnesses, having reviewed the exhibits admitted into evidence, having reviewed the papers submitted by counsel and having heard the arguments of counsel, and for the reasons set forth in the Findings of Fact and Opinion, issued pursuant to Fed. R. Civ. P. 52(a) and filed on this date, and for good cause shown,

IT IS, on this 4th day of February, 1994,

ORDERED AND ADJUDGED, that this court has jurisdiction over the parties and the subject matter of this cause of action

and shall retain jurisdiction over matters arising out of this action; and it is further

ORDERED AND ADJUDGED, that Versa has good and valid trade dress in the distinctive external design and overall visual appearance of its cast B-316 valve, including the appearance of the body of the cast B-316 valve alone and in conjunction with its knob actuator, pilot actuator, button actuator, eyeball status indicator actuator and manual latching pin mechanism, as described below, and as shown in Exhibit A, annexed hereto; specifically, Versa has good and valid trade dress in the external design and overall appearance of its cast B-316 valve resulting from the inclusion of the following individual features:

a. a rectangular "I" shaped contoured body, having three ports surrounded by circular hubs, 1-1/4 inches square flanges for actuator mounting, centrally located, rectangular major and minor ribs that run continuously from end to end of the valve body and three mounting holes aligned in a triangular pattern;

b. a DIMCO-GRAY knob actuator, model number 236, which is push\pull knob having a mushroom type appearance and a 1-13/16 inches diameter on top as shown in Exhibit A;

c. a button actuator comprised of a square based, three-tiered button cap standing 1-9/32 inches in height and that protrudes a distance of 3/4 inches when mounted in 2 standard panel mounting application and which holds a round button measuring 13/16 inches in diameter;

d. a pilot actuator comprised of a three-tiered design standing 1 inch in height, whose base is 1-14 inches square and on which sits a circular second tier measuring 1-3/16 inches in diameter and a hexagonal third tier;

e. an eyeball status indicator whose colored portion of its circular eyeball measures 1/2 inch in diameter and is housed by a black circumference and a multi-tiered round stainless steel housing; and

f. a manual latching pin mechanism whose front plate is rectangular in shape, is mounted by way of a rectangular four screw pattern having a 3/4 inch bolt circle and which houses a pin that is 3/16 inch in diameter that protrudes 1/4 inch from the rectangular plate assembly;

and it is further

ORDERED AND ADJUDGED, that Bifold has infringed the above-identified trade dress by selling, offering for sale and distributing in the United States its cast DOMINO JUNIOR valve, the body of which cast valve, alone and in conjunction with the knob actuator, button actuator, pilot actuator, eyeball status indicator actuator and manual latching pin mechanism, has an external design and visual appearance which is visually indistinguishable from the cast Versa B-316 valve, described herein and shown in Exhibit A; and it is further

ORDERED AND ADJUDGED, that Bifold and each of its officers, agents, servants, employees, subsidiaries, divisions, affiliates and all those persons in active concert or participation with them are hereby forever enjoined from directly or indirectly manufacturing, reproducing, importing, selling, offering for sale, distributing, advertising or otherwise marketing any hydraulic or pneumatic directional control cast valve which, because of the inclusion of the following individual features,

a. a rectangular "I" shaped contoured body, having three ports surrounded by circular hubs, 1-1/4 inches square flanges for actuator mounting, centrally located, rectangular major and minor ribs that run continuously from end to end of the valve body, and three mounting holes aligned in a triangular pattern;

b. a DIMCO-GRAY knob actuator, model number 236, which is a push\pull knob having a mushroom type appearance and a 1-13/16 inches diameter on top as shown in Exhibit A;

c. a button actuator comprised of a square based, three-tiered button cap standing 1-9/32 inches in height and that protrudes a distance of 3/4 inches when mounted in a standard panel mounting application and which holds a round button measuring 13/16 inches in diameter;

d. a pilot actuator comprised of a three-tiered design standing 1 inch in height, whose base is 1-14 inches square and on which sits a circular second tier measuring 1-3/16 inches in diameter and a hexagonal third tier;

e. an eyeball status indicator whose colored portion of its circular eyeball measures 1/2 inch in diameter and is housed by a black circumference and a multi-tiered round stainless steel housing; and

f. a manual latching pin mechanism whose front plate is rectangular in shape, is mounted by way of a rectangular four screw pattern having a 3/4 inch bolt circle and which houses a pin that is 3/16 inch in diameter that protrudes 1/4 inch from the rectangular plate assembly,

or otherwise, has an external design and visual appearance confusingly similar to the cast Versa B-316 valve, described herein and shown in Exhibit A; and it is further

ORDERED AND ADJUDGED, that Bifold, through its counsel, is to deliver to the court and to Versa's counsel within thirty (30) days of the date hereof, an affidavit or other report in writing under oath, specifying that Bifold has caused to be the United States any valve which is the subject of this Order and further detailing that Bifold has complied in full with the foregoing injunction; and it is further

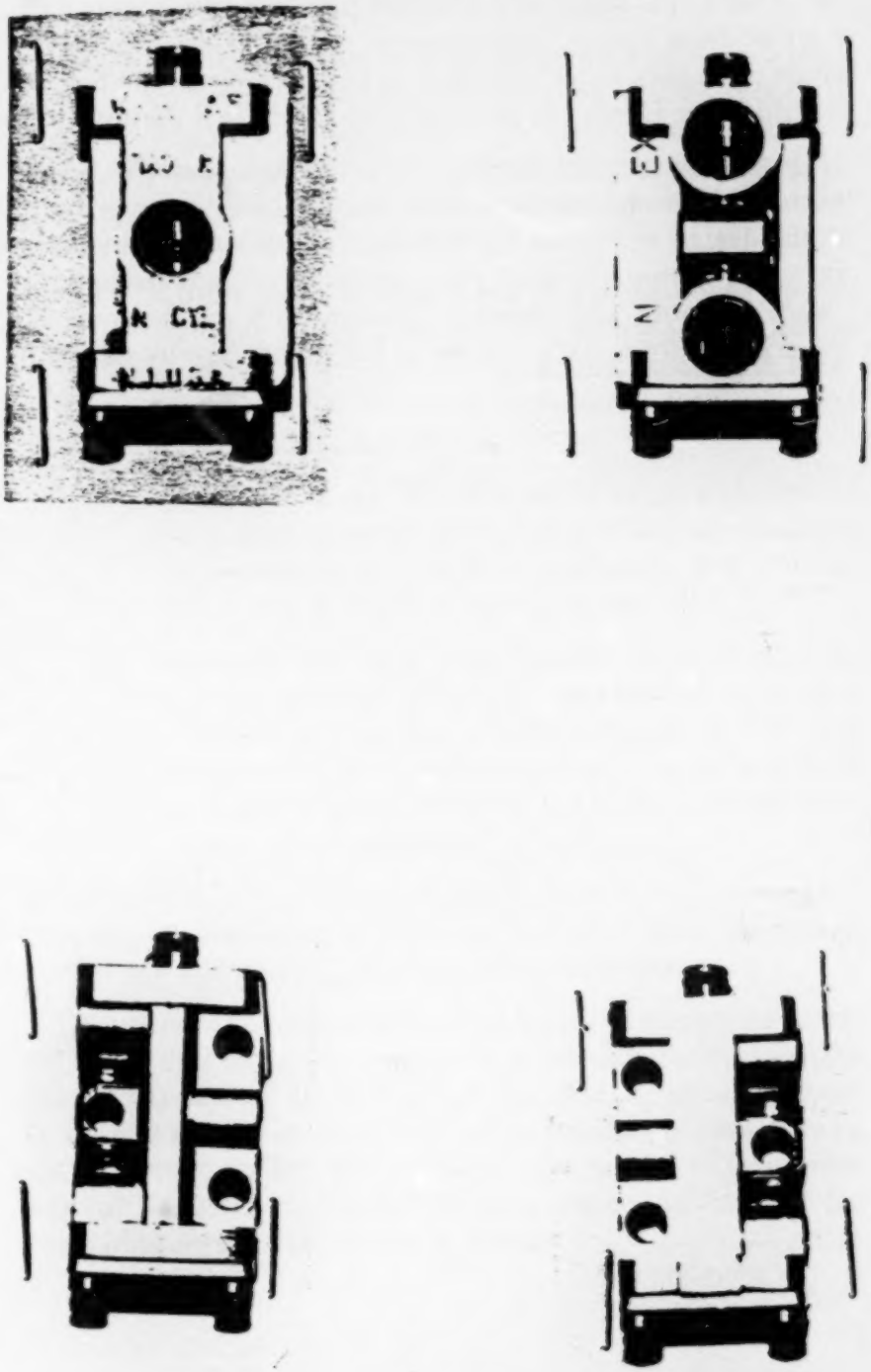
ORDERED AND ADJUDGED, that Versa is entitled to recover against Bifold its costs and attorneys' fees in an amount to be determined pursuant to 15 U.S.C. § 1125(a) and Rules 23 and 46 of the Local Rules of the United States District Court, District of New Jersey, and pursuant thereto, the clerk of the court shall then enter judgment in favor of Versa and against Bifold in an amount to be determined; and it is further

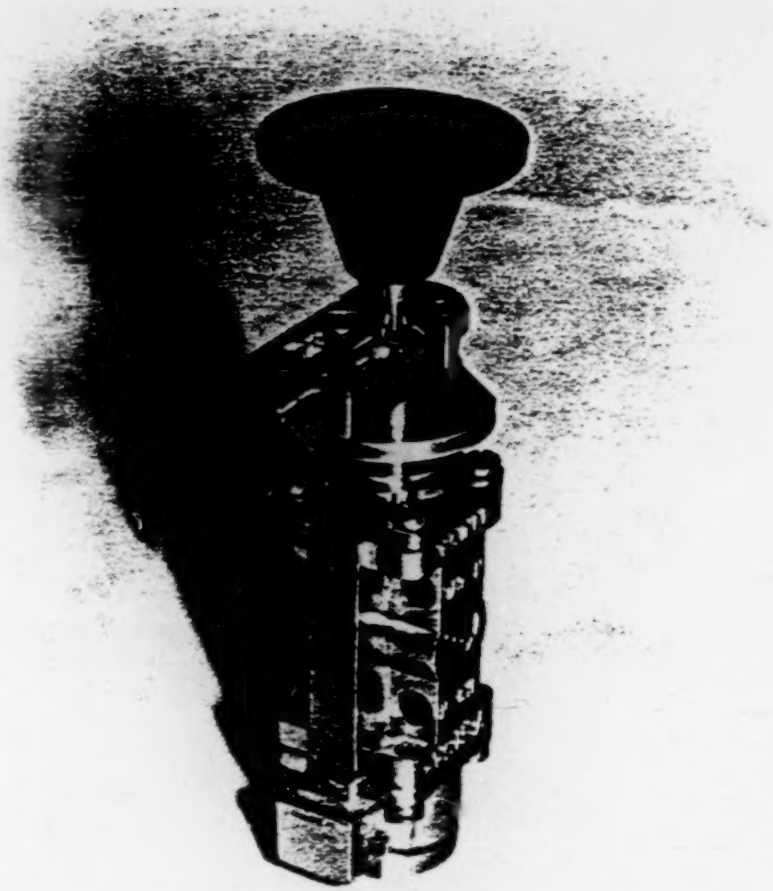
ORDERED AND ADJUDGED, that to the extent Bifold has asserted rights against Versa and sought a declaration of rights in the design of its cast DOMINO JUNIOR valve body, knob actuator, button actuator, pilot actuator, eyeball status indicator actuator and manual latching pin mechanism, as described herein, such claims of Bifold are hereby denied.

/s/ ALFRED J. LECHNER, JR.
ALFRED J. LECHNER, JR., U.S.D.J.

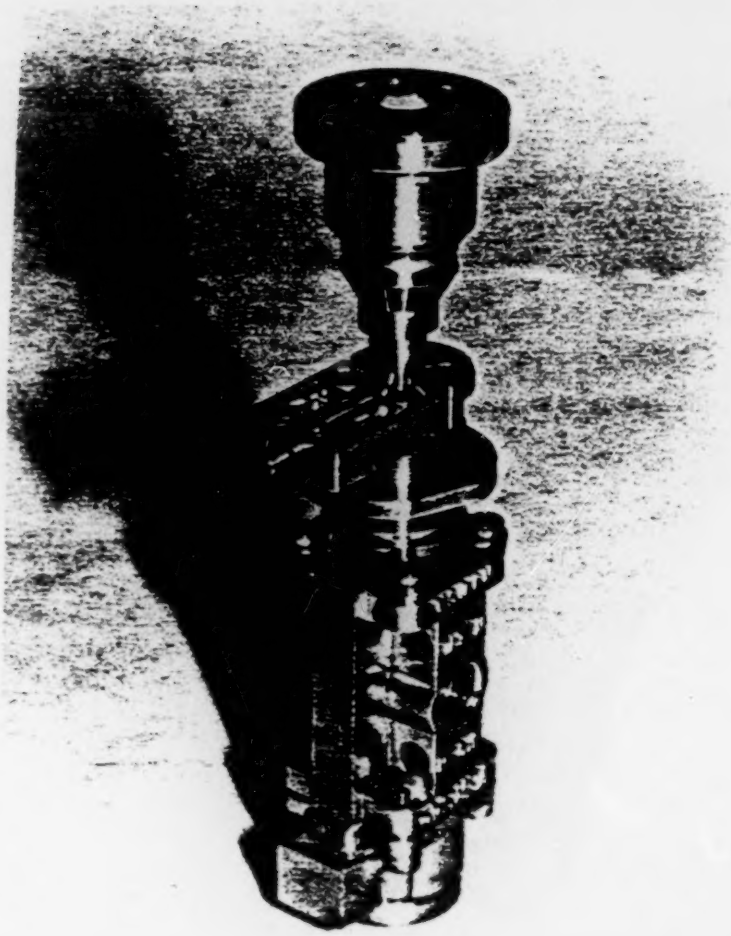
Exhibit A

VERSA B-316 VALVE—VALVE BODY ONLY

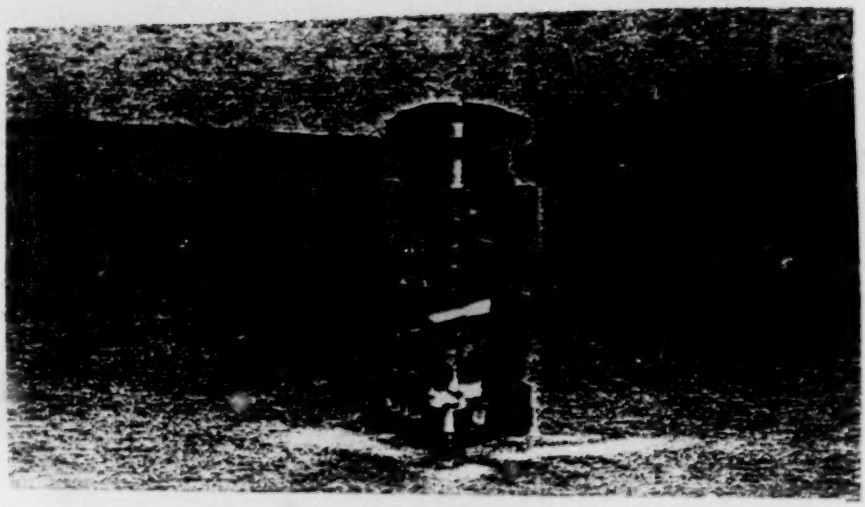




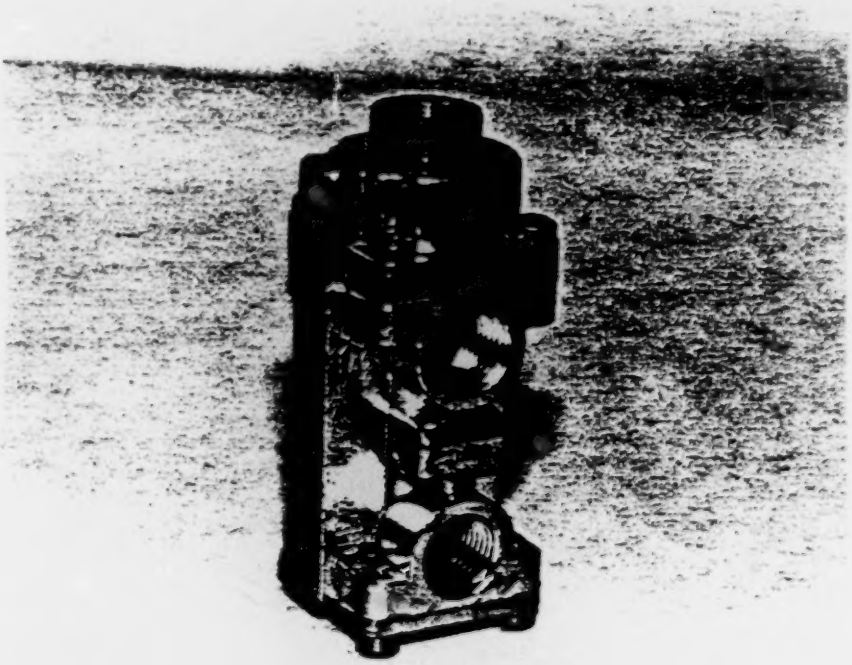
VERSA B-316 VALVE BODY WITH KNOB
ACTUATOR AND LATCHING PIN MECHANISM



VERSA B-316 VALVE BOSY WITH EYEBALL STATUS
INDICATOR ACTUATOR AND LATCHING PIN MECHANISM



VERSA B-316 VALVE BODY WITH BUTTON ACTUATOR



VERSA B-316 VALVE BODY WITH PILOT ACTUATOR

APPENDIX D

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

Civil Action No. 93-2734 (AJL)

Filed February 4, 1994

VERSA PRODUCTS COMPANY, INC.

Plaintiff

—v.—

BIFOLD COMPANY (Manufacturing) LTD.,

Defendant

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FINDINGS OF FACT AND OPINION

INTRODUCTION[1]

This is an action brought by Versa Products Company, Inc. ("Versa") for trade dress infringement against defendant Bifold Company (Manufacturing) Ltd. ("Bifold"). It appears this court has jurisdiction over the parties and the subject matter of this action.

Prior to trial, this matter was before the court for several pretrial conferences. The matter was tried to the court for several pretrial conferences. The matter was tried to the court on 29 November, and 1, 2 and 3 December, 1993 and thereafter the parties submitted written summations. On 17 December 1993 the parties appeared before the court to orally respond to the written summations.

The Findings of Facts contain a number of factual findings which I have made upon completion of the bench trial. I have had the opportunity to examine the submissions of the parties and have determined the credibility of the several witnesses after observing their demeanor and considering their relative

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[1] As mentioned at the completion of this bench trial, the submissions, arguments and professionalism of counsel are especially appreciated.

interest, if any, in this matter. Many of the Findings of Fact are substantiated with citations to testimony or documentary evidence or a combination of such authority; such citations are not meant to be exhaustive concerning the finding. Some of the findings are based upon the record or inferences from the record which are not cited.

This opinion, including the legal discussion, constitutes my Findings of Fact and Conclusions of Law pursuant to Fed.R.Civ.P. 52(a). All proposed findings of fact and conclusions of law inconsistent with those set forth herein are rejected.

A. *Versa*

1. Versa was formed in 1949. Tr. 53:21-53:24; Tr. 123:20-123:21. Versa is a New Jersey corporation with its principal place of business at 22 Spring Valley Road, Paramus, New Jersey. Tr. 53:10-53:12. Versa currently employs approximately 135 people at its New Jersey Facility. Tr. 53:13-53:14.

2. Versa is primarily a designer and manufacturer of pneumatic and hydraulic directional control valves that control the flow of air, compressed gas or fluid from one port to another. Tr. 53:15-53:20.

3. Mr. Karl Larsson is the current President of Versa and has been President since 1980. Tr. 52:25-53:6; Tr. 125:4-125:16. He was one of three company founders, along with Carl Carlson and Howard Meyer, both of whom are now deceased; Mr. Larsson is not presently active on a daily basis with the Corporation. Tr. 82:882:15; Tr. 123:17-124:1.

4. Mr. Frank Vetter is a Vice President and the Chief Operating Officer of Versa. Tr. 49:19-49:22. He manages the day-to-day operations of Versa's business. Tr. 52:3-52:6; Tr. 125:17-125:18. Mr. Vetter has worked continuously at Versa in a variety of capacities since 1955 except for his service as a paratrooper in the United States Military service in Germany from 1956-1957. Tr. 49:23-52:12.

5. Mr. Fred Smarte has been a Versa employee for 25 years and has been a Senior Design Engineer for the past 18 years. Tr. 144:11-144:19; Tr. 145:16-148:13. He was the primary Design Engineer for the Versa B-316 valves that are the subject of the instant litigation. Tr. 150:05-150:23; Tr. 151:23-152:20; Tr. 667:11-17; Tr. 675:22-676:3; Tr. 680:2-680:5; Tr. 704:13-705:1.

6. Versa owns a percentage of Versa, B.V., an entity headquartered in the Netherlands that basically performs the same functions from its location in Europe that Versa performs from its location in the United States. Tr. 305:7-305:15.

7. Mr. Hans Alberts is the Sales Manager of Versa, B.V. Tr. 70:11-70:12; Tr. 304:19-305:24.

8. Mr. J.J. Van Essen is the Purchasing Agent of Versa, B.V. Tr. 287:4-287:22.

B. *Bifold*

9. Bifold is a corporation organized and existing under the laws of England, having its principal place of business at Leyland Mill Lane, Wigan, WN1, 25A, Lancashire, England.

10. Bifold and Versa are competitors in the wellhead market. Versa currently dominates the market in the United States. Tr. 102:22-103:20; Tr. 104:6-8; Tr. 538:2-6; Tr. 691:1-16.

11. Bifold provides a line of control valves and related products and services to the offshore oil industry. Tr. 519:4-520:12; Tr. 526:11-15.

12. Over the last ten years, Bifold has been making continuing efforts to expand its product line. In 1985, Bifold developed and introduced the DOMINO series valves. Tr. 526:4-527:21; Tr. 528:15-529:1; Tr. 535:2-14; Exhibits 1512-14.

13. Mr. Michael Draper is the Sales and Marketing Director for Bifold. Tr. 518:11-518:12.

14. Mr. James Fishwick is the Technical Director for Bifold. Tr. 713:23-713:24.

15. Mr. Robert Forrest is the former Technical Director and Production Director for Bifold Technical Services, Ltd., an entity affiliated with Bifold with the same owners as Bifold that shared offices with Bifold. Tr. 447:3-448:9.

C. *Valves*

16. Valves are industrial devices used to control the flow of fluids or air or compressed gas through a passage. Tr. 53:18-20.

17. In the offshore oil and petrochemical environments, it is important that a valve withstand corrosion from the salt air and sour gas fumes. Tr. 682:13-22. Stainless steel is more suitable than brass for offshore applications.

18. A modular valve body has a standard configuration that is adaptable to a variety of applications by attaching any of several actuators for moving parts of the valve. Only minor adjustments are necessary to adapt a modular valve body to a customer's particular needs. Tr. 149:8-13; Tr. 362:1-9; Exhibit 1708 at 1.2.

19. Control panels are small, and up to fifty valves may be contiguously mounted behind a panel of an offshore drilling platform. Tr. 413:18-22; Exhibit 1739a-f.

20. The control panels on which B-316 valves are installed are designed by engineers for the oil and gas companies which operate offshore drilling platforms. The panel designers create designs around, and specify, a particular valve which will meet the functional requirements of the panel and the entire oil drilling platform. Tr. 424:23-425:7; Tr. 561:19-562:line 10; Tr. 826:3-828:9.

21. The panel designer's valve specifications are based on the valve's ability to function for its intended purpose, reliability, availability and price. The designers draft specifications with the understandings that the valves are used for

emergency shutdown, and that human life environment and millions of dollars are at risk. Tr. 423:9-14; Tr. 564:16-565:22; Tr. 824:24-825:24.

22. Except for the knob, button and status indicator actuators, the valve is not visible from the front of a control panel when installed. Tr. 77:3-20; Exhibit 1739a-f.

23. Valves installed behind control panels often are mounted in drawers, which can slide out from behind the panel. Similar in concept to an electronic circuit panel, drawers can be removed and serviced, while a replacement drawer can be temporarily installed to avoid interruption in service. Tr. 185:17-186:6; Tr. 347:10-349:22; Exhibit 1739a-f.

24. No manufacturer, other than Versa and Bifold, makes cast, stainless steel, modular valves for the offshore oil industry. Tr. 558:18-22.

25. The Versa B-316 valve currently dominates the United States market for valves of its kind. Tr. 102:22-103:20; Tr. 691:1-16.

26. There are no *cast* stainless steel valves, other than the Bifold DOMINO JUNIOR valve, on the market which compete with the Versa B-316 valve. Tr. 558:19-22.

27. The valves from HLR, BWB and Sigma are made from cylindrical bar stock.

28. The Pneuhydro valve is made from cylindrical bar stock. It is smaller than the B-316 valve.

D. *The Versa "V" Series Valve*

29. Versa began the development of its "V" Series valve in 1949, at which time the valve was made of brass. Tr. 54:8-54:18; Tr. 126:15-126:21. The Versa "V" series brass valve is still being sold in the market today. Tr. 148:16-149:7. The Versa "V" series brass valve evolved into an entire line of valves that are well known and widely purchased in the United States and worldwide. Tr. 54:19-55:16; Tr. 126:19-127:10; Tr. 357:14-357:23. The "V" Series brass valve had,

and still has, contoured lines and shaping that form a distinctive product appearance that has been associated with Versa for decades. Exhibit 786; Tr. 54:19-55:16; 55:23-56:10; Tr. 127:11-127:20; Tr. 148:16-149:2; Tr. 357:14-358:4.

E. *The Versa B-316 Valve—Development*

30. In the late 1970's, Versa designed the B-316 line of valves that are subject matter of this lawsuit. Tr. 53:25-54:7; Tr. 127:21-127:24. The "316" designation refers to grade 316 stainless steel, the material from which the valve is manufactured. Tr. 53:25-54:5. The 316 stainless steel is a rugged, corrosive resistant material that can withstand harsh elements and the offshore and petrochemical environments. Tr. 127:21-128:4.

31. B-316 valves are sold to any industry that needs to control compressed air, gas or fluid. Tr. 59:6-59:8. The principal current customers for B-316 valves are offshore oil well control panels, process control industries; food industries and water treatment facilities. Tr. 59:9-59:11; Tr. 306:22-307:1.

32. The original B-316 valve body design was machined from 316 stainless steel bar stock. Tr. 56:11-57:5; Tr. 128:5-128:8; Tr. 149:14-149:25. The bar stock B-316 valve body was a rectangular block with no molded contours or shape. Tr. 128:15-128:11; Exhibits 95, 102, 785 and 787.

33. The machining process involves drilling through solid steel bar stock to hollow out metal and form ports through which the fluid flows. Tr. 56:15-20; Tr. 112:19-23; Tr. 128:5-8; Tr. 151:2-15; Tr. 208:24-209:1; Exhibit 785.

34. The B-316 valves have modular bodies. Tr. 54:6-7; Tr. 59:9-11; Tr. 682:13-22; Tr. 683:17-22; Tr. 684:21-685: line 8.

35. Versa's B-316 valve is sold primarily in the petrochemical and offshore oil industries for use on control panels in emergency shutdown systems on offshore oil drilling platforms. Complaint, ¶ 7; Tr. 306:22-307:4; Tr. 683:17-684:1; Exhibit 1708.

36. Because stainless steel is expensive, machining out stainless steel bar stock results in a waste of metal. Tr. 135:7-11; Tr. 151:16-20; Tr. 208:1-2; Tr. 654:8-11.

37. The bar stock machining process is expensive for the additional reason that it requires time and attention to make each valve individually. Tr. 654:8-11; Tr. 676:7-13; Tr. 720:5-13.

38. After the B-316 valve had achieved sufficient sales to justify the economic investment, Versa made a cast version of its B-316 valve. Tr. 57:7-9; Tr. 128:18-25; Tr. 209:2-4 and 14-17; Tr. 683:5-16; Exhibits 1701, 1703, 1708.

39. In light of the plain rectangular block appearance of the bar stock B-316, Versa set out to design a replacement for the bar stock B-316 valve body that would look like a Versa valve and be associated with Versa and its existing line of products. Tr. 64:364:8; Tr. 128:18-130:21; Tr. 152:21-153:5.

40. Karl Larsson made the determination to cast the B-316 valve body in order to enhance the appearance of the plain rectangular Versa product and give it a distinctive look so that the B-316 would be associated with Versa and recognized as a Versa product. Tr. 57:10-57:21; 64:3-64:8; Tr. 128:18-130:21; Tr. 152:21-154:5. The idea was to make this cast version of the Versa B-316 valve consistent with the Versa image. Tr. 57:10-57:21; Tr. 128:18-130:21; Tr. 152:21-154:5.

41. Using its internal design personnel, Versa designed the cast version of the B-316 valve body. Tr. 129:15-130:21; Tr. 154:10-163:4. Fred Smarte did much of the design work and drafted design drawings on the body of the cast B-316 valve. Tr. 152:5-154:5; 154:10-168:4; Tr. 667:11-667:17; Tr. 675:22-676:3; 680:2680:5. The casting process simultaneously provided to Versa the cost savings associated with mass produced cast valves. Tr. 95:7-95:12; Tr. 133:16-133:18. The primary purpose, however, for casting the Versa B-316 valve was to make it look like a distinctive Versa valve that would clearly be associated with Versa and recognized in the marketplace as a Versa product. Tr. 57:13-57:21; 64:3-64:8;

Tr. 128:18-130:21; Tr. 152:21-154:5. If that valve had not fit the Versa image, Mr. Larsson would have told the Versa engineering staff to go back to the drawing board. Tr. 130:18-130:21.

42. Versa was able to develop its distinctive B-316 cast valve only after a significant investment of time and money. Tr. 59:17-60:1; 112:12-113:6; Tr. 154:10-163:4; Exhibits 4-6, 16-20, 51, 57, 61, 67-75, 81-83, 87-89. The B-316 cast valve was initially produced and marketed in 1983 and has met widespread approval and acceptance since then. Tr. 57:7-57:9; 65:9-67:2; 112:4-112:11; Tr. 168:10-168:22; Tr. 358:5-361:25.

43. The cast and bar stock versions of the B-316 valve have the same functions, and the only difference is that they are manufactured by different processes. Tr. 684:21-685:8. The cast and bar stock versions of the B-316 valve are interchangeable. Tr. 677:3-8.

44. Versa has never tried to obtain patent protection for any aspect of its bar stock or cast B-316 valve. Tr. 80:19-21.

45. Versa has never tried to obtain a trademark registration for the appearance of its cast B-316 valve. Tr. 80:22-24.

F. *Versa B-316 Valve—Design and Description*

46. Versa's modular B-316 valve comprises the valve body and any of several actuators attached to the valve body for moving parts of the valve. Tr. 90:13-19.

47. Each element of the Versa B-316 valve, including the valve body and each actuator, has a particular function that is essential to the valve's operation, cost, performance or ease of manufacture. The functional valve features dictate the valve's overall cast design but not its external appearance.

48. Every element of B-316 valve was made in accordance with Versa's casting objectives, which were to use the least amount of stainless steel, to make the valve lighter, to make the valve less expensive and easier to manufacture, Tr. 134:2-

4; Tr. 134:22-135:13; Tr. 207:21-208:16; Tr. 223:18-24, and to make a valve consistent in appearance with other Versa valves.

1. *The B-316 Valve Body.*

49. The B-316 valve body comprises cast 316 stainless steel with useful features incorporated into the cast design. Tr. 209:24-210:16.

50. The name VERSA and the place of origin, "N.J. U.S.A.," are cast into the metal to identify Versa as the valve's source. Tr. 214:8-21; Pl. Admission No. 20; Exhibits 1704, 1705, 1707, 1709, 1712.

51. Every valve body that Versa sells bears a label displaying the VERSA name, logo and part number. Tr. 212:16-214:2; Exhibit 1741.

a. *The Ports.*

52. The Versa B-316 valve is a standard three-way valve. A three-way valve has three ports that can be opened or closed to direct the flow of fluid, air or compressed gas.

53. The ports of Versa's cast B-316 valve are in the same positions as the ports in its bar stock B-316 valve. Tr. 684:21-685:8. The cast and bar stock versions of the B-316 are interchangeable.

54. The size of the threads in the ports are "$^1/_4$ inch NPT," which is a national standard and industry requirement. Tr. 626:10-17; Exhibit 1708 at p. 1.2..

b. *The Flanges.*

55. There is a flange located at each end of the B-316 valve body. The flanges serve as faces to mount actuators. There are four holes drilled through the corners of each flange to accept mounting screws for securely mounting the actuators onto the valve body. Tr. 755:8-13; Pl. Resp. to Interrog. No. 14; Exhibits 1704, 1705, 1707-09, 1712.

56. The flanges also give the valve ends a flat rectangular shape so that it can be mounted onto a flat surface. Tr. 684:21-685:8.

c. *The Top And Bottom Ribs.*

57. Solenoid actuators were requested by customers for use on computer controlled wellheads. Versa modified its original cast B316 design to accommodate a solenoid actuator by adding a single longitudinal top rib along the top of the valve body. Tr. 215:16-21; Tr. 655:21-656:14; Exhibits 1705, 1708. Other options were available to accommodate a solenoid actuator to the B-316 valve.

58. A solenoid feed channels air from inside the valve chamber to the solenoid actuator. The top rib provides enough material to drill a solenoid feed through its length. Tr. 196:20-197:16; Tr. 658:4-14; Pl. Resp. to Interrog. No. 14; Exhibits 1705, 1740.

59. Longitudinal ribs on cast metal products provide strength when mass is removed by casting.

60. The top rib of the B-316 valve also serves as a casting gate, which is an opening in a casting mold through which metal is poured. After the cast valve cools, the surface at the casting gate on the valve's top rib is rough. The rough top rib surface is a convenient location to place a source identifying label. Tr. 219:2-18; Tr. 728:18-729:24.

d. *The Mounting Holes.*

61. Versa's B-316 valve is made to be mounted to a panel or to a flat surface by way of three mounting holes. Pl. Resp. to Interrog. No. 14 and Admission No. 1; Exhibits 1704, 1705, 1707-1712.

62. The mounting holes on the cast B-316 valve are positioned to provide stable mounting arrangement. Exhibits 1704, 1705, 1707-0709, 1712.

2. *The B-316 Valve Actuators.*

63. The ports of Versa's B-316 valve open into an inner chamber in the valve body which houses a spool. An actuator, such as a button or knob, moves the spool within the valve body to open or close the ports to control fluid flow. Tr. 150:15-23; Exhibits 1704, 1705, 1707, 1709, 1712.

64. Versa determined the types of actuators it would make available with its modular B-316 valve based on the types of actuators required in the marketplace. Versa's customers specify the particular type of actuator they require on the basis of the actuator's function. Tr. 705:12-16; Tr. 865:7-866:5; Tr. 721:13-22; Exhibit 1708.

65. The design of each actuator used with the B-316 valve is functional. No actuator has a nonfunctional configuration distinctive of or unique to Versa. Tr. 210:17-211:16; Tr. 406:11-409:17; Tr. 690:9-22; Tr. 831:9-833:18; Tr. 863:7-21. However, the use of particular actuators with the B-316 valve has become common. There are many other actuators available which are different in appearance for use on valves such as the Bifold DOMINO JUNIOR.

a. *The Knob.*

66. The knob actuator is a standard catalog item that Versa purchases from a company called Dimco-Gray. Tr. 97:5-10; Pl. Resp. to Interrog. No. 18 and Admission No. 27; Exhibits 1712, 1730.

67. The Dimco-Gray knob is not sold exclusively to Versa. Other valve manufacturers use a knob that is the same or similar to the Dimco-Gray knob. Tr. 97:11-17. But no manufacturer except Bifold uses the same Dimco-Gray knob on valves designed and manufactured to look like the Versa B-316.

68. Versa has been using the same knob throughout its product lines for about 40 years. Tr. 114:1-3; Exhibit 1703.

69. The knob is configured so an operator can push or pull the knob to move the spool inside the valve body.

70. The offshore oil industry requires that knobs on control panels have particular colors for different functions, and customers specify the required color. A black valve is used in standard control applications, a red knob signifies an emergency area, and a green knob is used in "go conditions," where it is functionally safe to open a pipeline. Tr. 220:7-11; Tr. 267:20-268:6. The industry does not require a particular shape as long as the offered shape is functional.

b. *The Status Indicator.*

71. The status indicator is a safety device used in emergency shutdowns, and has a red face and a green face, which indicate the valve's position. Tr. 211:11-16; Tr. 241:18-20; Tr. 360:21-361:19; Tr. 554:7-10; Pl. Admission No. 25; Exhibits 1707-08.

72. Versa purchases its status indicator from a company called Norgren. Tr. 97:21-25; Pl. Resp. to Interrog. No. 18; Exhibits 63, 65, 1731.

73. Versa adds the letter "R" on the red face of its Norgren status indicator to assist color blind users. Tr. 177:3-7; Exhibit 1707.

74. Versa makes a machined metal, two-piece housing to receive the Norgren status indicator. The housing is configured to be pushed and pulled as a knob to move the internal spool and actuate the valve. Tr. 242:13-19; Tr. 263:12-25; Exhibits 1707-08.

c. *The Button And Button Cap.*

75. The button actuator is pushed to move the internal spool of the valve. The button is shrouded to prevent accidental actuation. Pl. Resp. to Interrog. No. 14 and Admission No. 10; Exhibit 1709.

76. Button actuators are standard in the valve industry. Tr. 741:14-19; Tr. 745:15-25.

77. Versa uses the same button in its cast B-316 valve as it did for the bar stock B-316 valve and other Versa products. Tr. 684:21-685:8.

78. The button cap houses the button, and is threaded for mounting the valve along the face of a panel. The same button cap also is used to mount B-316 valves with other types of actuators. Tr. 741:24-742:8; Tr. 757:18-21.

d. *The Manual Latching Pin.*

79. The manual latch functions to lock the valve spool in an open or closed position. Tr. 188:20-24; Tr. 361:5-13; Tr. 762:7-8; Exhibits 1707-08, 1712.

80. Versa originally made its manual latch from bar stock to use with the bar stock B-316 valve and the V-316 valve. Versa made a two-piece, cast manual latch for the cast B-316 valve by removing as much metal as possible from the prior bar stock manual latch. Tr. 222:12-223:14; Tr. 761:14-23; Exhibits 1707-08.

81. Versa casts its company logo in the manual latch. Tr. 762:4-6; Exhibits 1707, 1712.

e. *The Pilot.*

82. The pilot actuator functions by accepting fluid pressure and translating that pressure to a piston within the pilot. The piston within the pilot moves the spool inside the valve body. Tr. 210:17-24; Tr. 359:7-14; Exhibit 1704.

83. Versa used a pilot actuator with its bar stock B-316, and the overall size of the pilot is the same in the bar stock and cast B-316 valves. Tr. 251:6-25 (Versa has more than one pilot design); Tr. 684:21-685:8.

84. Versa added a flange when it cast the pilot actuator so it can be attached to the valve body.

85. Versa's pilot actuators have at least two flat surfaces so that a wrench can hold the actuator in place while adjusting a pipe or pipe fitting. Tr. 760:1-3.

f. *The Spring Cap.*

86. The spring cap is a plate attached to the end of the valve for housing a spring. The spring cap functions to return the internal spool to its original position in the valve body after it has been actuated. Exhibits 1704, 1707, 1709, 1712.

G. *Bifold DOMINO JUNIOR Design and Description*

a. *The Valve Body.*

87. The Bifold DOMINO JUNIOR valve body is slightly wider than the Versa B-316 valve body. Tr. 231:18-232:9; Tr. 234:6-9; Tr. 431:22-25; Tr. 752:10-753:6; Exhibits 1709, 1710.

88. A valve defined as the distance an actuator must push the internal spool to open or close the valve ports. The stroke of the Bifold DOMINO JUNIOR valve is different than the stroke of the Versa B-316 valve. Tr. 238:1-9; Tr. 757:18-21; Tr. 527:7-11.

89. Bifold casts its name into the DOMINO JUNIOR valve body, and bolts onto the body a metal label displaying the BIFOLD name.

90. Because Versa electroplates its valves, the Bifold DOMINO JUNIOR body has a duller finish than the Versa Exhibits 1709, 1710.

b. *The Ports.*

91. The ports of the Bifold DOMINO JUNIOR valve extend outwardly from the valve body, whereas the ports of the Versa B-316 valve are flush with the valve body. This port configuration makes the Bifold DOMINO JUNIOR valve wider than the Versa B-316 valve.

92. There is more steel surrounding the ports of the Bifold DOMINO JUNIOR valve than there is around the ports of the Versa B-316 valve. Tr. 236:11-24; Tr. 754:22-755:7. This additional metal could be used to create a different appearance.

93. The ports of the DOMINO JUNIOR valve have metric dimension threads.

c. *The Flanges.*

94. The flanges of the Bifold DOMINO JUNIOR valve are thicker than the flanges of the Versa B-316 valve. Tr. 755:8-13; Exhibits 1709, 1710.

d. *The Ribs.*

95. The top and bottom ribs of the Bifold DOMINO JUNIOR valve are thicker than the top and bottom ribs of the Versa B-316 valve.

e. *The Mounting Holes.*

96. The mounting holes on the Bifold DOMINO JUNIOR valve are on different centers than the mounting holes of the Versa B-316.

f. *The Status Indicator.*

97. Bifold purchases its status indicator from a British company called Automated Process and Control (Mfg.) Co. Ltd. Bifold does not place the indicator face, as does Versa. Tr. 241:11-17; Tr. 554:11-555:1, Tr. 609:25-610:14; Exhibits 1173, 1707, 1716.

98. The status indicator housing on the Bifold DOMINO JUNIOR valve is smaller than the status indicator housing on the Versa B-316 valve, and its configuration is different. Tr. 241:1-10; Tr. 760:24-761:13; Exhibits 1707, 1716.

99. The Bifold DOMINO JUNIOR status indicator housing is formed of one piece and is slightly longer than the two-piece Versa B-316 status indicator housing. Tr. 242:13-17; Tr. 760:24-761:13; Exhibits 1707, 1716.

g. *The Manual Latching Pin.*

100. The Versa B-316 manual latch is cast and made from two pieces, whereas the Bifold DOMINO JUNIOR manual latch is made from a single piece of bar stock material. Tr. 239:16-240:12; Tr. 761:17-762:16; Exhibits 1707, 1716.

101. The Versa B-316 manual latch is rounded at the edges and its surface is recessed. The Bifold DOMINO JUNIOR manual latch is rectangular and has a flush surface. Tr. 239:16-240:12; Tr. 761:17-762:16; Exhibits 1707, 1716.

H. *Operation of DOMINO JUNIOR and B-316 Valves*

102. Bifold DOMINO JUNIOR valves are block-before-bleed. Tr. 540:21-541:23.

103. Versa offers block-before-bleed only as an option because the feature is not compatible with the operation of the B-316 valve, or with the particular systems designed for use with B-316 valves. Tr. 109:15-17; Tr. 120:23-122:3, Tr. 205:17-207:4; Tr. 254:25-255:line 3.

104. Bifold DOMINO JUNIOR valves are universal, meaning that any port can be nominated as an inlet port. Bifold designates its DOMINO JUNIOR valves as normally open or normally closed at the customer request, but that designation does not change the valve's universal function. Tr. 631:19-632:20; Tr. 810:1-16.

105. Versa offers universal application only as an option because the feature is not compatible with the operation of the B316 valve. Tr. 109:18-25; Tr. 119:7-120:22; Tr. 204:5-205:16.

I. *Purchasing Process for Valves*

106. The Versa B-316 and Bifold DOMINO JUNIOR valves are not sold on a shelf or selected on sight. Buyers order the valves based on functional specifications as shown on schematic diagrams, manufacturers' catalogs or specification sheets and samples available at trade shows and sales presentations. Tr. 422:11-17; Exhibits 23-89, 171, 173, 1002-49, 1708.

107. Purchasers cannot buy a Versa B-316 valve by name only. A B-316 valve can be purchased only by identifying a multi-digit part number because there are many available variations. Tr. 105:2-19; Tr. 325:23-326:9; Exhibits 23-89, 171, 173, 1704, 1708, 1709, 1725.

108. Versa uses a comprehensive part numbering system for its modular B-316 valves, and purchasers must refer to a B-316 valve part number in order to identify the particular combination required. Tr. 105:2-19; Tr. 325:23-326:9; Tr. 422:8-20; Tr. 686:21-687:6; Tr. 870:23-871:8; Exhibits 23-89, 171, 173, 1708, 1725.

109. Bifold distinguishes the DOMINO JUNIOR valves by its own part numbering system, and requires that a purchaser identify valves by part number. The DOMINO JUNIOR part numbers are obtainable only by reference to a Bifold specification sheet. Tr. 561:10-562:17; Exhibits 1002-49, 1157-58.

110. The purchasers and users of Versa's B-316 valves are qualified, knowledgeable personnel who understand how the valves are to be installed and operated.

J. *Versa B-316—Sales and Market Share (Reason to Infringe on Trade Dress/Secondary Meaning).*

111. Over the last ten years, Versa has sold more than 100,000 B-316 series valves. Tr. 67:3-67:5. In 1990, Versa sold over 15,000 B-316 series valves representing more than $1,250,000.00 in sales. Tr. 67:6-67:9. In 1991, Versa sold over 16,000 valves representing more than $1,500,000.00 in sales.

Tr. 67:10-67:13. In 1992, Versa again sold over 16,000 B-316 valves representing more than $1,500,000.00 in sales. Tr. 67:14-67:16. Updated projected sales for 1993 are approximately 22,000 valves representing more than $2,100,000.00 in sales. Tr. 67:17-67:19; Exhibits 175-178.

112. Versa through its B-316 line of valves possesses a significant, but far from exclusive, market share of approximately fifty to fifty-five percent of valves sold for emergency shutdown systems in the United States. Tr. 67:22-68:1.

113. It is common for a designer of an emergency shutdown control panel or other end user of Versa B-316 and competing valves to initially prepare a specification designating which manufacturer's valve is preferred for use in their system. Tr. 422:8-422:10; 425:1-4:25-4.

114. Versa B-316 valves appear on the specifications of United States customers for emergency shutdown control panel business more often than any other manufacturer. Tr. 67:22-68:1; Tr. 363:5363:10.

K. *Bifold DOMINO JUNIOR Valve*

115. Prior to Bifold's fabrication of the DOMINO JUNIOR valve, the sole United States distributor of Bifold products was unaware of Bifold's DOMINO JUNIOR valve appearing on a single customer specification for emergency shutdown control panel business in the United States.

116. Recently, Bifold has begun making sales in the United States of its cast DOMINO JUNIOR valve. Tr. 623:5-624:1.

117. The DOMINO valve has a modular construction.

118. Bifold originally machined its DOMINO valve from standard bar stock. After the DOMINO valve had achieved sufficient market acceptance to justify the economic investment, Bifold designed and sold a cast version of its DOMINO valve. Tr. 529:20-530:25; Tr. 531:22-532:4 and 17-21; Tr. 718:17-720:4 (cast and bar stock DOMINO valves are the same, except for the casting); Exhibits 1512-16, 1750, 1751.

119. Versa never objected to Bifold's sale of the bar stock or cast DOMINO valves and still has no objection. Tr. 322:8-20; Tr. 539:13-21; Pl. Resp. to Interrog. Nos. 9, 12.

120. Bifold's cast DOMINO valve has three cylindrical ports, for housing a solenoid feed, square end flanges and a range of actuators. Tr. 534:3-535:8; Tr. 730:25-731:5.

121. Bifold determined from its customers that the DOMINO series valves were too large to suit certain wellhead uses. In response to customer inquiries, Bifold designed a smaller version of the DOMINO valve, designated the DOMINO JUNIOR valve, to accommodate systems handling lower flow rates. Tr. 543:15-545:12; Tr. 548:19-25; Tr. 720:21-723:4.

122. Bifold designed the DOMINO JUNIOR valves to have a modular design so that they also can be used in a variety of applications within a single system.

123. As with the DOMINO valve, Bifold originally made its DOMINO JUNIOR valve from bar stock material. Versa never objected to Bifold's sale of the bar stock DOMINO JUNIOR valve. Tr. 542:6-16; Tr. 553:14-24.

124. When the bar stock DOMINO JUNIOR valve achieved sufficient market acceptance, Bifold designed a cast version of its DOMINO JUNIOR valve. The cast DOMINO JUNIOR valve was designed.

125. Bifold performed an examination of the Versa B-316 valve before designing its DOMINO JUNIOR valve.

L. *Versa's Reputation for Quality—(Reason to Infringe on Trade Dress).*

126. A valve manufacturer's reputation for quality is important in emergency shutdown offshore drilling applications because the products are used in hazardous and demanding environments where loss of human life, environmental damage and property loss may be at stake if a valve does not function properly. Tr. 68:2-68:20; Tr. 616:20-617:6; Tr. 879:9-880:1; Tr. 397:14-398:4; Tr. 811:2-811:18.

127. Versa's cast B-316 valve has been in the market for more than ten years. Tr. 57:7-57:9. It has been subject to rigid quality control tests and standards and Versa's products have continuously performed their functions in the field. Tr. 68:21-69:10; Tr. 363:5-363:17. Bifold concedes that after testing the Versa B-316 valve it determined that the Versa valve lived up to its representations. Tr. 791:10-791:19.

128. Versa has an excellent reputation in the marketplace for providing a high quality product and its B-316 is recognized as a high quality product. Tr. 68:2-68:20; Tr. 307:21-308:3; Tr. 338:24-339:14; 343:3-344:9; 346:12-347:9. Versa's reputation for product excellence with its V-series and B-series of valves has been a hallmark of the company for decades. Tr. 278:9-279:12; Tr. 338:24-339-14; 343:3-344:9; 346:12-347:9; Tr. 653:23-653:25; Tr. 706:6-706:11.

129. Bifold Sales and Marketing Director Draper has been aware for about eight years of Versa's reputation in the marketplace for delivering a high quality product. Tr. 617:7-617:22.

L. *Versa B-316 Trade Dress and Recognition in the Marketplace.*

130. The Versa B-316 cast valve has been sold for more than ten years and its overall appearance identifies the product as a Versa product to all to whom it is sold. Tr. 65:7-66:22; 112:4-112-11; Tr. 138:4-139:1; Tr. 358:5-361:25.

131. The Versa B-316 valve body has looked the same for the last 9-$^1/_2$ years. Tr. 58:19-59:5. For only a very short period of time in 1983 when the B-316 product was first developed, the smaller bottom rib was not on the valve body. Tr. 58:19-59:5; Tr. 156:6-156:13. The principal reason for adding the minor rib was to provide parallelism to the appearance of the product. Tr. 156:14-157:12; 259:11-261:16. Secondarily, the minor rib assisted in the casting process. Tr. 259:11-261:3. There was no need for a continuous minor rib to be placed on the valve but the valve designer Frederick

Smarte wanted to make it continuous so as to provide parallelism to the product. Tr. 259:11-261:3; 876:17-877:5.

132. The Versa trade dress is represented by the distinctive appearance and contours that comprise the whole unit—the valve body and its various valve actuators—with the valve body being the predominant part of the unit and thus most characteristic of the Versa trade dress. Tr. 64:9-64:20; Carr 138:4-139:1; Exhibits 756 through 759, 1707, 1709 and 1712.

133. The Versa B-316 trade dress plays an important role in the marketing of the product. Tr. 63:18-64:2. The trade dress of the valve is identifiable every time Versa makes a sales presentation or offers the valve for sale to the consuming public. Tr. 63:18-64:2. The trade dress makes it easy for the purchaser to identify the valve as a Versa valve and separates Versa's valve and product line from its competition. Tr. 63:18-64:2. The trade dress for the Versa B-316 valve was created for a specific and particular purpose—to identify that product in the marketplace as a Versa product. Tr. 64:3-64:8. Versa's B-316 trade dress is the entire overall appearance of the valve. Tr. 64:9-64:21. Versa makes this trade dress well known pictorially. Tr. 64:22-65:8.

134. BWB valve, Exhibit 1719, HLR valve, Exhibit 1718, and Sigma valve, Exhibit 1717, were all in the marketplace prior to Versa designing its B-316 valve. Tr. 76:13-77:2. Versa developed its B-316 valve with its distinctive appearance to develop Versa's product line identity so that the product would be easily recognized in the marketplace as a Versa valve. Tr. 76:13-77:2.

135. Versa's advertisements in trade journals such as *Chemical Processing*, *Design News*, *Design Engineering*, *Designfax*, *Intech* and others are directed at the buyers and users of the Versa valves and these ads prominently display in pictorial form the trade dress of the Versa B-316 valve. Tr. 60:2-60:12; 64:22-65:8.

136. Versa's B-316 valves are also advertised by the distribution of catalogues, product brochures, image brochures

and bulletins wherein the distinctive overall trade dress of the B-316 valves is prominently displayed. Tr. 60:14-63:15; 64:22-65:8; Exhibits 92, 101-158.

137. Versa's B-316 valves are also prominently displayed in trade shows and similar sales exhibitions wherein the distinctive overall trade dress of the B-316 valves is prominently displayed. Tr. 64:22-65:8; Exhibits 238, 246, 247, 249-255, 257.

138. The Versa B-316 trade dress is recognized in the industry and differentiates Versa from the rest of the marketplace. Tr. 66:3-66:16. That trade dress is important to Versa—it has spent money, time and effort promoting this product. Tr. 66:17-66:20; 112:12-112:20. That product has become well recognized and accepted by the industry, both nationally and internationally. Tr. 66:21-67:2.

139. Mr. Gerald J. Murphy, a designer of one of the first integrated subsurface to surface control systems in the offshore oil platform/wellhead automation industry—and Versa's expert witness—confirmed that Versa's V-series and B-316 valves are recognized in the industry as having a unique appearance and design that identify them as Versa valves. Tr. 358:5-361:25; 362:10-363:4.

140. Mr. James L. Carr, III, the sole distributor in the United States for defendant Bifold acknowledged Versa's B-316 valve has a "familiar cast Versa body" and that customers are familiar with the Versa B-316 cast body as a result of having seen it in the marketplace. Tr. 138:4-139:1. Customers in the marketplace can distinguish the Versa B-316 valve from the valves of other manufacturers by looking at the valve's appearance. Tr. 138:4-139:1; 65:9-66:22; 112:4-112:11.

M. *Trade Dress Infringement—The Bifold DOMINO JUNIOR Valve is a Copy or "Knockoff" of the Versa B-316 Valve.*

141. In the latter half of 1991 and into 1992, at least eight years after the creation of the Versa B-316 cast valve body,

Bifold developed and introduced its cast version of its DOMINO JUNIOR line of valves. Tr. 775:19-776-5; Exhibits 1001A, 1137-1140A.

142. The Bifold DOMINO JUNIOR valve and actuators are virtually identical in external design and *visual appearance* to the Versa B-316 valve. Tr. 70:13-71:7; Tr. 170:17-171:12; Tr. 323:1-328:8; Tr. 369:17-370:10. Compare Exhibits 751 and 757 (valve body with button actuator); 752 and 758 (valve body with status indicator and manual latch pin); 753 and 759 (valve body with knob actuator); and 750 and 756 (valve body with pilot actuator); *see* Tr. 170:17-179:17; Exhibit 1715. Virtual identity of the Bifold DOMINO JUNIOR in external design and *visual appearance* to the Versa B-316 valve includes the following:

General Body Configuration (Exhibits 1715; 1781)

— Both valves are three-ported valves of almost identical body size and shape, possessing an "I" shaped configuration, with rectangular major and minor ribs and square flanges for actuator mounting. Smarte 171:13-172:17; Exhibits 751 and 757.

Body Length (Exhibit 1715)

— The body lengths of the two valves are virtually the same with only .066 inches difference in length. Smarte 173:20-174:2; Exhibits 751 and 757.

Flanges (Exhibit 1715)

— The flanges on both valves are square shaped and measure 1.25 inches square and are virtually identical. Smarte 171:13-172:17; 173:4-173:7; Exhibits 751 and 757.

Distance Between Port Locations (Exhibit 1715)

— The distance from the centerline of the central port to the centerline of the other two ports on each valve is virtually identical and have only a .006 inch difference, which is not discernible to the naked eye. Tr. 172:19-173:3; Exhibits 751 and 757.

Valve Mounting Holes (Exhibits 1715; 1781)

— Each valve has three valve mounting holes. The pattern of the mounting holes on the DOMINO JUNIOR valve in relation to each other and in relation to the valve ports is virtually identical to the pattern of the valve mounting holes on the Versa B-316 valve. Smarte 266:14-266:24; Murphy 373:18-379:19. The pattern is the opposite on the Bifold DOMINO valve. Exhibits 749, 751 and 757.

Actuator Mounting Holes (Exhibit 1715)

— The actuator mounting hole configuration is identical for the two valves, each valve having four actuator mounting holes, one in each flange corner, as the means for attaching an actuator to the valve body. Exhibits 1715; 751 and 757.

Ribs (Exhibit 1715)

— Each valve has two rectangular shaped ribs of virtually the same general appearance and in virtually the same location on the body. Exhibits 751 and 757. On each valve there is a major rib and minor rib and it is these ribs in conjunction with the flanges that create the "I" shaped configuration on the valves. Smarte Exhibit 1715.

Spring Cap (Exhibit 1715; 1781)

— The spring caps on the Bifold DOMINO JUNIOR valve and Versa B316 valve are the same, except for product stamping information, and can be successfully interchanged between the Versa and Bifold valves. Tr. 172:3-172:5; Exhibits 751 and 757; Tr. 370:13-371:12; Exhibits 750 and 756.

Button (Exhibits 1715; 1781)

— The valve buttons on the Bifold DOMINO JUNIOR and on the Versa B-316 valve are substantially identical in diameter and appearance. Tr. 172:6-172-18; Tr. 371:17-372:13; Exhibits 751 and 757. Bifold conceded that the buttons are similar in appearance. Tr. 605:11-605:13.

Bifold also conceded that its designer examined the Versa B-316 button cap prior to designing the Bifold DOMINO JUNIOR button. Tr. 795:15-795:22. Bifold's designer further conceded that he did not consider any other design for the Bifold button despite the fact that many other manufacturers have different buttons. Tr. 797:6-797:20.

Button Caps (Exhibits 1715; 1781)

— Both button caps are virtually identical and the Bifold button cap can, in fact, be interchanged on the Versa valve. Tr. 172:6-172:18; 173:8-173:19; Tr. 371:17-372:13; Exhibits 751 and 757. Bifold conceded that the button caps are similar in appearance. Tr. 605:11-605:13. Bifold also conceded that its designer examined the Versa B-316 button cap prior to designing the Bifold DOMINO JUNIOR button cap. Tr. 795:15-795:22. Bifold's designer further conceded that he did not consider any other design for the Bifold button cap despite the fact that many other manufacturers have different button caps. Tr. 797:6-797:20.

Status Indicator (Exhibit 1715)

— The design configuration and eyeball appearance of the status indicators are substantially similar on both valves. Smarte 269:13-269:17; Exhibits 752 and 758. This similarity in appearance was conceded by Bifold. Tr. 609:15-609:24.

Knob (Exhibit 1715)

— The knobs are, in fact, identical in appearance on both valves. Vetter 115:2-115:22; Smarte 177:18-177:23; 269:4-269:12; Exhibits 753 and 759. The knob is made by Dimco-Gray, an Ohio (U.S.A.) plastics company. Versa has been purchasing the plastic knob that is utilized on the B-316 valve from Dimco Gray, an Ohio Corporation, since the 1950's to the current time. Tr. 113:15-114:5. Bifold did not begin using this knob on its valves until it created the DOMINO JUNIOR valve in

the 1990s. Tr. 807:7-807:12. Bifold had previously used another knob on its products but sought out the identical knob used on the Versa B-316 valve. Tr. 114:8-114:24; Exhibit 747. Bifold in fact sought out the same knob used by Versa and did not even ask Dimco-Gray for a selection of other available knobs. Tr. 612:1-612:9. Bifold conceded that the knobs are identical. Tr. 611:15-611:25.

Manual Latching Pin (Exhibits 1715 and 1781)

— The identity in size, shape, bolt circle design, and four hole configuration make the manual latching pins so alike that the Bifold manual latching pin is interchangeable on the Versa valve. Tr. 175:15-177:17; Exhibits 752 and 758. Moreover, the design of Bifold's manual latching pin is identical to the design of an earlier version of Versa's manual latching pin. Tr. 159:3-159:21; 162:7-162:17; 175:15-176:15; Tr. 372:14-373:8; Exhibits 107, 125, 145, 785 and 787.

Pilot Caps (Exhibit 1715; 1781)

— The pilot caps on the DOMINO JUNIOR and the Versa B-316 valve can be successfully interchanged and each air pilot cap has a $^1/_8$" port despite the fact that the valve body ports measure $^1/_4$", despite the fact that common practice is for the valve body port size and the air latching port size to be identical, and despite the fact that the Bifold DOMINO valve pilot port measures $^1/_4$." Tr. 178:18-179:17; Tr. 370:11-371:6; Exhibits 750 and 756.

143. The Versa B-316 valve body does not look like the valve body of any other competitor, with the exception of the Bifold DOMINO JUNIOR imitation of it. Tr. 362:10-363:4. Tr. 279:13279:16.

144. The Versa B-316 button/button cap does not look like the button/button cap used by any other competitor, with the exception of the Bifold DOMINO JUNIOR imitation of it. Murphy 407:3-407:21.

145. The Versa B-316 knob does not look like the knob used by any other competitor, with the exception of the Bifold Domino Junior imitation of it. Tr. 269:4-269:8; Tr. 406:13-407:1.

146. The Versa B-316 status indicator does not look like the status indicator used by any other competitor, with the exception of the Bifold DOMINO JUNIOR imitation of it. Tr. 269:13-269:17; 408:25-409:10.

147. The Versa B-316 manual latching mechanism does not look like the manual latching mechanism used by any other competitor, with the exception of the Bifold DOMINO JUNIOR imitation of it. Tr. 269:18-269:21.

148. Solenoid actuators account for only a small percentage of Versa B-316 valve sales (Tr. 265:11-266:7) and are largely insignificant to the Versa product line. Tr. 99:4-99:10.

149. A number of Bifold employees have commented that the Versa B-316 valve was copied by the Bifold DOMINO JUNIOR valve. Tr. 480:2-480:13; 509:20-510:7. Bifold's designer, James Fishwick, conceded that a lay person looking at the Versa B-316 valve and Bifold DOMINO JUNIOR valve would say they are similar. Tr. 751:15-751:20. One of Bifold's witnesses, Joseph Sudol, likewise conceded that the DOMINO JUNIOR and Versa B-316 valve products looked very similar and stated that anybody who saw the products for the first time would think they are very similar. Sudol 707:23-708:14.

150. Mr. Sudol could not deny putting a yellow sticker with the words "Versa lookalike" on a photograph of Bifold DOMINO JUNIOR products (Exhibit 1516), nor could he deny distributing that photograph with the attached yellow sticker amongst his former coemployees at Versa. Sudol 701:20-703:20. Robert Forrest, a Design Engineer and the former Technical Director of Bifold Technical Services, Ltd., told Bifold's Sales and Marketing Director Michael Draper and its designer James Fishwick that the Versa B-316 valve and Bifold DOMINO JUNIOR valve looked very similar to

one another and that Bifold was "skating on thin ice" as the result of copying of the Versa B-316 appearance to the DOMINO JUNIOR. Tr. 480:2-480:13.

151. The Bifold DOMINO JUNIOR valve is an unauthorized copy or "knockoff" of the Versa B-316 valve. Smarte Exhibit 1715; Murphy Exhibit 1781; Tr. 390:2-390:6; 391:2-391:8; Tr. 484:7-484:11. The striking likenesses between the two valve bodies and actuators and the ability to actually interchange some components between the valves is too flagrant to be coincidental. Tr. 266:8-266:24; Tr. 369:17-370:10; 373:4-373:8; 391:2-391:8.

N. *Trade Dress Infringement--The Bifold DOMINO JUNIOR Valve was Designed by Copying the Versa B-316 Trade Dress.*

152. In 1990, more than ten years after the creation of the Versa B-316 bar stock valve, Bifold created a bar stock version of its DOMINO JUNIOR line of valves marketed for the same uses as the Versa B-316 line of valves. Tr. 587:17-587:22.

153. In late 1991, at least eight years after the creation of the Versa B-316 cast valve body, Bifold introduced its cast version of its DOMINO JUNIOR line of valves. Tr. 591:18-592:4; Tr. 775:19-776:5; 795:11-795:14; Exhibit 1001A. The decision to cast the DOMINO JUNIOR valve was the decision of Bifold Sales and Marketing Director Michael Draper and Technical Director/Designer James Fishwick. Tr. 591:10-591:19; Exhibit 984, Bifold Resp. to Interrog. No. 3.

154. Bifold believed that Versa had a "monopoly" on the wellhead control panel business at the time when Bifold set out to create its cast version of its DOMINO JUNIOR line of valves. Tr. 628:5-628:8; Exhibit 985, Bifold Admission Nos. 60-71, 75.

155. Bifold designed its cast DOMINO JUNIOR valve with the express intention to "bury Versa" and directly compete for all Versa B-316 business. Tr. 473:20-475:6; Tr. 140:5-140:7.

156. As the result of having seen the Versa B-316 valve over the years in the marketplace and at trade shows, Bifold's Sales and Marketing Director, Michael Draper and its Technical Director, James Fishwick were well aware of the appearance of the cast Versa B-316 valve, its button, button cap, status indictor, status indicator housing, knob, manual latching mechanism, major rib, flanges and spring cap prior to Bifold's design of its DOMINO JUNIOR valve. Tr. 795:11-795:23; 798:8-798-1; Tr. 591:18-592:4; 604:23-605:3; 609:15-609:24; 613:11-613:13.

157. In fact, prior to the design of the cast version of the DOMINO JUNIOR valve Bifold obtained a Versa B-316 cast valve through Bifold's agent in Denmark. Tr. 595:14-598:13; Tr. 732:18-733:14.

158. Bifold's claim that no valve is competitive with the Versa B-316 cast valve appears to be simply the result of Bifold being unfamiliar with the United States market and the BWB, HLR and Sigma valves. Tr. 629:10-630:2.

159. In designing the external appearance of the cast version of Bifold's DOMINO JUNIOR valve, Bifold copied the cast version of the Versa B-316 valve. Tr. 451:23-452:14. The cast version of the Bifold DOMINO JUNIOR valve was "designed" by Mr. James Fishwick and his assistant, Michael Coyne, an apprentice draftsman who failed his higher national certificate exam. Tr. 448:18-448:21; 450:18-450:22. During the time that Mr. Fishwick and Mr. Coyne were allegedly "designing" the Bifold DOMINO JUNIOR valve, the cast Versa B-316 valve that had been obtained by Bifold was physically located on Mr. Fishwick's desk, Mr. Coyne's desk and/or Mr. Draper's desk. Tr. 451:6-452:14; 453:21-454:2. Mr. Fishwick and Mr. Coyne actually utilized and made reference to the cast Versa B-316 valve on their desks while designing the Bifold DOMINO JUNIOR valve. Tr. 451:6-452:14; 454:3-454:6. That included inspecting the Versa B-316 valve and taking dimensions and measurements from it. Tr. 452:5-452:14. To further its copying of the Versa B-316 valve, even before the Bifold DOMINO JUNIOR was cast,

Bifold forwarded a cast Versa B-316 valve to Manchester Tool Services (Bifold's affiliated manufacturing unit) to show Manchester Tool Services what the cast Bifold DOMINO JUNIOR valve was intended to look like and for investigation and evaluation purposes prior to its manufacture by Manchester. Tr. 452:15-453:1.

160. Mr. Forrest's desk was located in the same room as Mr. Fishwick and Mr. Coyne at Bifold. Tr. 448:25-450:17. Mr. Forrest shared a common secretarial staff with Mr. Fishwick and Mr. Coyne and he physically observed Mr. Fishwick and Mr. Coyne copying the Versa B-316 valve from his desk as well as when he walked around the room. Tr. 448:22-450:17.

161. Mr. Forrest has an extensive background in engineering and as a Design Engineer. Forrest 445:7-447:2. While employed at Bifold Technical Services, Ltd. his duties included the design of new products. Tr. 447:3-447:17.

162. In his experience as a Design Engineer, Mr. Forrest has designed many valves in the past. Tr. 445:7-447:17. He is familiar with the cast Versa B-316 valve and cast Bifold DOMINO JUNIOR valve. Tr. 451:6-451:12.

163. During the period when Mr. Forrest was employed at Bifold the general standard of measurement used by Bifold in manufacturing valves was the metric system. Tr. 463:22-463:25. Mr. Forrest conducted measurements of the cast Versa B-316 valve and the cast DOMINO JUNIOR valve. Tr. 464:1-464:4. Bifold did not use standard metric sizes in casting the DOMINO JUNIOR valve. Instead, it used a metric conversion of imperial standard sizes, thereby further evidencing the copying of the Versa B-316 valve by Bifold. Tr. 464:5-464:18.

164. Mr. Fishwick claimed to be the only individual involved in the research and development/design of the cast version of the DOMINO JUNIOR valve that was undertaken in 1991. Tr. 778:25-779:12. Mr. Fishwick was not involved in the design of the cast version of the DOMINO valve in 1989 (the alleged predecessor to the cast version of the DOMINO

JUNIOR valve). Tr. 772:13-772:15; 579:12-579:25. In fact, no one at Bifold designed the cast version of the DOMINO valve. Tr. 772:16-772:18. Instead, BSA Precision Castings Ltd.("BSA"), an outside casting company unaffiliated with Bifold, designed the cast version of the DOMINO valve. Tr. 772:19-772:21; Tr. 580:1-580:4. Moreover, BSA did all the drawings with respect to the cast version of the DOMINO valve. Tr. 580:3-580:5.

165. In designing the DOMINO JUNIOR valve, Bifold's representatives testified it was their intent to make the appearance of that valve a smaller, scaled down version of the DOMINO valve. Tr. 792:12-792:15. A significant portion of the cast DOMINO valve body is *cylindrical* in shape. Exhibit 749; Tr. 581:13-581:15. The inside of that cast DOMINO valve body is also cylindrical in shape. Tr. 582:8-582:9. According to Bifold, the casting of that DOMINO valve body simply followed the contours of the cylindrical inside of that valve body. Tr. 582:10-582:12. The idea in casting the DOMINO valve body was to remove as much metal as possible and end up with a cylindrical shape. Tr. 582:13-582:16.

166. The cast DOMINO JUNIOR valve has a cylindrical *internal* shape as well. Tr. 583:1-583:8. Again, Bifold instructed the casting company to remove as much metal as possible in creating the shape and appearance of its DOMINO JUNIOR valve. Exhibit 984, Bifold Resp. to Interrog. No. 8. Unlike the cast DOMINO valve body, however, the cast DOMINO JUNIOR valve body is not cylindrical in shape. Compare Exhibit 749 (cast DOMINO valve) to Exhibit 753 (cast DOMINO JUNIOR valve with Knob Actuator). That is because the cast DOMINO JUNIOR valve is a copy of the cast Versa B-316 valve. Forrest 484:7-484:11. Compare Exhibit 753 (cast DOMINO JUNIOR valve with Knob Actuator) to Exhibit 759 (cast Versa B-316 valve with Knob Actuator).

167. Mr. Fishwick testified he prepared a single sketch for the prototype of the DOMINO JUNIOR valve body which sketch was never produced in discovery in this case.

Tr. 779:13-780:4; 781:2-781:6. Instead, that purported sketch disappeared. Tr. 779:15-779:20. Only one drawing of the DOMINO JUNIOR valve body exists, which drawing was prepared by alleged designer James Fishwick, but rather was prepared by then 20-year old apprentice draftsman Michael Coyne. Tr. 724:2-724:6; 785:21-786:7; Exhibit 1001A. Mr. Fishwick does not recall if he approved the drawing done by Mr. Coyne (724:24-724:25); Mr. Fishwick's name or initials do not appear on the drawing. Tr. 785:16-785:20. In addition, most, if not all, of the general assembly drawings for the cast DOMINO JUNIOR valve body were prepared by Michael Coyne, not James Fishwick. Tr. 788:6-788:9.

168. Although claiming to be a valve designer, Mr. Fishwick conceded he is "not a qualified draftsman" (Tr. 768:19-768:22) and does not trust himself as a draftsman. Tr. 723:23-723:25. Mr. Fishwick does not know how to use a computer aided design (CAD) system and had to have his 20 year old apprentice do all the CAD drawings for the cast DOMINO JUNIOR valve. Tr. 769:3-769:5; Exhibits 1002 through 1056. At his deposition, Mr. Fishwick stated that there were no previous versions of the drawing that is Exhibit 1001A. Tr. 781:23-782:11. In contrast, he testified at trial that he did a previous sketch but it disappeared. Tr. 779:15-779:20.

169. James Fishwick did not have the technical ability to design the cast version of the DOMINO JUNIOR valve without using the Versa B-316 valve to copy from. Tr. 453:2-454:15. Mr. Fishwick's assistant, Michael Coyne, likewise did not have the technical ability to design the cast version of the DOMINO JUNIOR valve without using the cast Versa B-316 valve to copy from. Tr. 453:2-454:15. Neither Mr. Fishwick nor Mr. Coyne is a design engineer. Tr. 453:7-453:10. Bifold first obtained a computer aided design system in 1992. Tr. 481:13-481:25. Mr. Coyne did not utilize a computer aided design system prior to 1992. Tr. 481:13-484:6.

170. An analysis of the Bifold design drawings evidences the fact that Bifold backdated design drawings. Tr. 480:16-

484:6. For example, Bifold General Assembly Drawing No. 200-948 (Exhibit 1012) is dated 25 June 1991. The Bifold General Assembly Drawing immediately preceding that, however, Drawing No. 200-947 (Exhibit 1043) is dated in 1992. Tr. 482:1-483:15. Similarly, Bifold General Assembly Drawing No. 200-940 (Exhibit 1029) purports to have been drawn by Michael Coyne on 13 November 1992; that document states that it was checked by James Fishwick on 30 March 1992, nearly 8 months before it was drawn. Tr. 483:16-484:6. Significantly, no testimony was introduced by Bifold to refute Mr. Forrest's testimony that Bifold had backdated documents.

171. Bifold acknowledges the participation of BSA Precision Castings, Ltd. ("BSA") in the design and casting of the cast DOMINO JUNIOR product. (Exhibit 984, Bifold interrogatory answers Nos. 4, 5, and 35; Tr. 725:2-725:14; Tr. 599:7-600:16). Over the years, Bifold and BSA Precision Castings Ltd. have done a significant amount of business together. Tr. 547:6-547:9; 604:5-604:10; Tr. 725:12-725:14; 789:12-789:22. Since 1987, Bifold has done business with BSA on a regular basis (Tr. 789:17-789:19), and BSA was in fact the sole designer of the cast DOMINO valve in 1989. Tr. 580:1-580:4; Tr. 772:19-772:21. Mr. Bryan Duckinfield was the primary contact point between Bifold and BSA; he frequently visited the Bifold premises. Tr. 789:20-789:22; Tr. 467:13-467:22. Incredibly, BSA participated in the design of the cast DOMINO JUNIOR product from at least October of 1991 through April of 1992 (Exhibits 1137-1153) at which time BSA had in its possession both drawings and castings of the major components of Versa's B-316 cast valve and actuators that had been acquired from Versa, B.V. in June and July of 1991. Tr. 288:3-300:4.

172. By way of background, in March of 1988 a meeting occurred between Mr. J.J. Van Essen, the purchasing agent of Versa, B.V., a Netherlands Company and Mr. Bryan Duckinfield, the Sales Manager for BSA Precision Castings, Ltd. ("BSA") at the VAT Exhibition in Utrecht, Holland. Tr. 288:3-289:1. At that time, Mr. Duckinfield informed Mr. Van Essen

that BSA was interested in providing a quote to Versa, B.V. with respect to doing the casting work on the Versa, B.V. valves. Tr. 288:3-289:1.

173. In April of 1988, BSA's agent Mr. J. Van der Molen presented himself at the Versa, B.V. facility in Appledoorn, Netherlands and asked for drawings of cast Versa valve products, which Mr. Van Essen gave to him. Tr. 289:2-289:13.

174. Subsequently, at the specific request of BSA, on 12 June 1991, BSA was provided with drawings of the Versa B-316 cast valve that is the subject matter of this litigation, including the following Versa B-316 parts:

Versa	B-316	Body Blank
Versa	B-316	Button Cap Blank
Versa	B-316	Manual Latch Button Cap
Versa	B-316	Air Latch Pilot Cap
Versa	B-316	Solenoid Cap Blank
Versa	B-316	Pilot Cap Blank

Tr. 289:14-291:18; Exhibit 775.

175. On 2 July 1991 Bryan Duckinfield of BSA called J.J. Van Essen and requested actual samples of the valve components for which drawings had been previously sent. Tr. 291:19-292:5.

176. On 11 July 1991, Versa, B.V. sent samples to BSA of the Versa B-316 Body Blank, Button Cap Blank, Manual Latch Button Cap, Air Latch Pilot Cap, Solenoid Cap Blank and Pilot Cap Blank. Tr. 291:19-295:4; Exhibits 777 and 778.

177. BSA in fact received the drawings and samples that were sent by Versa, B.V., analyzed them and provided a series of quotations to Versa, B.V. Tr. 295:5-296:11; Exhibits 779-784. BSA never did the casting work for the Versa B-316 valves. Tr. 296:12-296:14.

178. The samples and the drawings of the B-316 valve that were provided by Versa, B.V. to BSA included the major components of Versa's B-316 cast valve. BSA retained the drawings and samples and utilized them to design a casting of the

DOMINO JUNIOR valve that was a lookalike to the Versa B-316 product. Tr. 296:12-300:4. In fact, while Bifold generated only one initial drawing of the cast DOMINO JUNIOR valve body dated 23 September 1991 (Exhibit 1001A), BSA generated four DOMINO JUNIOR valve body drawings immediately thereafter. Exhibits 1137A-1140A; Tr. 793:10-793:17.

179. No one at BSA told Mr. Van Essen that they did casting work for Bifold that were competitive with Versa products. Tr. 298:25-299:3. No one at BSA told Mr. Van Essen that they did any casting work for Bifold. Tr. 299:4-299:6. No one at BSA told Mr. Van Essen that they intended to assist in the design of the casting for the Bifold DOMINO JUNIOR cast valve. Tr. 299:7-299:9. No one at BSA told Mr. Van Essen that there was going to be a Bifold DOMINO JUNIOR cast valve that was going to be a direct competitor with the Versa B-316 cast valve. Tr. 299:11-299:13. No one at BSA told Mr. Van Essen that they were assisting Bifold in the design of the cast DOMINO JUNIOR valve during the period from 1991 through April, 1992 or any other time. Tr. 299:15-299:19. During the period from July, 1991 through April, 1992, which includes the period when BSA was assisting in designing Bifold's cast DOMINO JUNIOR valve, BSA still had in its possession the Versa B-316 cast drawings and the samples that had been provided by Versa, B.V. Tr. 299:23-299:25.

180. Bifold, as a repeated practice, did not invest time or money to develop its own new products. Tr. 455:2-455:21. For example:

At the direction of Michael Draper, Bifold made an exact copy of a popular pressure regulator manufactured by another United States Company, Tescom. Tr. 455:22-456:20. Specifically, at the direction of Mr. Draper, Robert Forrest obtained a pressure regulator from Tescom, disassembled it, made component drawings from the disassembled product and then manufactured those components. Tr. 455:22-456:20. This unauthorized copying was done at the direction of, with the

approval of, and with encouragement from Michael Draper. Tr. 456:21-457:17.

Bifold copied the drawings and literature of competitor Humphreys to create Bifold products and substituted the name "Bifold" for "Humphreys" on Humphreys' product literature and then disseminated the literature. Tr. 457:18-458:19. Products manufactured utilizing Humphreys' drawings were sold in the marketplace under the name of Bifold, and not Humphreys. Tr. 457:18-458:11.

The Bifold DB-04 valve is a copy of the valve of competitor Maxseal. Tr. 458:20-459:20. The external appearance of those valves are similar and several Bifold employees have specifically commented that the Bifold valve is a copy of the Maxseal valve. Tr. 458:20-459:20.

181. Bifold used the DOMINO JUNIOR bar stock valve as an excuse to justify its lookalike cast version of the DOMINO JUNIOR product. Neither DOMINO JUNIOR bar stock produced in discovery/at trial (Exhibit 1738 and 1738a) had a model number or serial number on the valve despite the fact that every other Bifold valve produced in discovery and at trial bears a model number and serial number or is at least identified as a "sample" on the valve label. Tr. 587:17-591:1.

182. Despite the fact that the casting company was asked to give "due consideration to the appearance of the larger DOMINO valves" (Exhibit 984, Bifold Resp. to Interrog. No. 34), the DOMINO JUNIOR valve bears a more striking resemblance to the Versa B-316 valve than it does to the primarily cylindrical valve body of the Bifold DOMINO valve. Tr. 402:23-404:11; Tr. 476:10-477:16; Smarte Exhibit 1715; Exhibits 749, 753, 759.

183. The cast version of the DOMINO JUNIOR valve was designed in part as a replacement part for the Versa B-316 valve. Tr. 140:5-140:7; Tr. 202:25-203:20; Tr. 389:1-390:1; Tr. 474:18-475:6.

184. Mr. Millius, the Managing Director of Astro Controls, Bifold's distributor/agent in Holland, admitted to Hans Alberts, Sales Manager of Versa, B.V. that the DOMINO

JUNIOR was designed to mimic the Versa B-316 valve. Tr. 320:24-321:17. Mr. Millius stated that Bifold made its DOMINO JUNIOR valve just like Versa's B-316 valve with only a few minor differences because Versa had done such a good job with the design and marketing for the B-316 series valves and had set a very good standard in the marketplace. Tr. 320:24-321:17.

185. Hans Alberts of Versa, B.V. encountered Michael Draper of Bifold at the offshore Northern Seas Exhibition in Stavanger, Norway in August, 1992 at which time Mr. Draper pointed to a display of cast DOMINO JUNIOR valves and asked Mr. Alberts if those valves looked familiar to him. Tr. 316:22-316:25. Mr. Alberts responded that they looked like exact copies of the Versa B-316 valves. Tr. 317:1-317:2.

186. Bifold's United States distributor, James Carr, stated to Versa distributor Gordon Fraleigh that Bifold would be marketing an "exact copy" of Versa's B-316 valve that would be a direct replacement for Versa's B-316 valve and would "fit in perfect" as a substitute for the Versa B-316 valve. Tr. 279:17-281:18.

187. Mr. Fraleigh is employed by the Fraleigh Company, a fluid power distributor located in Little Rock, Arkansas. He has worked since 1955 in the fluid power industry (steam, air, hydraulic power). Tr. 277:6-277:23.

188. The Fraleigh Company is a distributor of fluid power product lines and machine tool components. Fraleigh 277:6-279:1. That company, which has been in existence for more than twenty years, is a member of the Fluid Power Distributors Association, the Industrial Distributors Association and the National Association of Wholesalers. Tr. 277:6-277:23.

189. For the past several years, the Fraleigh Company has purchased and sold B-316 valves manufactured by Versa to customers in the petroleum industry. Tr. 279:2-279:4. The reputation of Versa's B-316 valve in the industry for high quality valve performance and dependability is excellent. Tr. 279:5-279:9.

190. In or about the early part of 1993, Mr. Fraleigh was approached by James Carr, a former regional marketing manager of Versa. Tr. 279:17-281:18. Mr. Carr told Mr. Fraleigh that he was serving as a representative for the sale of Bifold valves in the United States, and that Bifold had developed an "exact copy" of the Versa B-316 valve. Tr. 279:17-281:18. Mr. Carr encouraged Mr. Fraleigh to purchase the Bifold valves that were copies of the Versa valves and asked Mr. Fraleigh to serve as a Bifold distributor of the Bifold valves that were copies of the Versa valves. Tr. 279:17-281:18.

191. Mr. Carr also solicited Mr. Fraleigh by stating that the Bifold valve was a "direct replacement for" the Versa valve which would "fit in perfect" as a substitute for Versa's valve. Tr. 279:17-281:18. Mr. Fraleigh has been selling the Versa B-316 cast valve, he had never encountered a competitor market a valve that looked like a Versa B-316 valve until Bifold. Tr. 279:13-279:16.

O. *Bifold's Intentional Misrepresentations of Fact and Concealment of Evidence In An Attempt to Hide Its Blatant Copying of the Versa B-316 Valve*

192. The testimony from James Fishwick that to the best of his knowledge neither he or anyone else at Bifold examined the Versa B-316 valve prior to or during the design of the DOMINO JUNIOR valve is not credible. Tr. 776:6-776:9; Tr. 464:19-465:7. The Versa B-316 valve was on the premises at Bifold and was referred to and utilized by Mr. Fishwick and Mr. Coyne during the design of the Bifold DOMINO JUNIOR valve.

193. The testimony from James Fishwick that Bifold did not incorporate any of the characteristics of the Versa B-316 valve in its design of the DOMINO JUNIOR valve is not credible. Tr. 776:12776:17; Tr. 465:14-465:19. The Versa B-316 valve was referred to and utilized by Mr. Fishwick and Mr. Coyne during the design of the Bifold DOMINO JUNIOR valve and the Versa B-316 valve was in fact copied by Bifold.

Tr. 465:14-465:25. A visual comparison of the Versa B-316 cast valves to the Bifold DOMINO JUNIOR valves (compare Exhibits 756 to 750, 757 to 751, 758 to 752 and 759 to 753) reveals that many of the characteristics of the Versa B-316 valves were incorporated in the Bifold DOMINO JUNIOR valves.

194. The testimony from James Fishwick that he alone was involved in the research, development and design of the cast version of the DOMINO JUNIOR valve is not credible. Tr. 778:25-779:12; Tr. 466:1-466:18. Michael Coyne was also involved in the development and design of the cast version of the DOMINO JUNIOR valve. Tr. 466:1-466:17; Exhibit 1001A; Exhibits 1002-1056. Bifold's answers to interrogatories that it was James Fishwick who produced a prototype drawing C1-888 of the cast DOMINO JUNIOR body (Exhibit 984, Bifold Resp. to Interrog. No. 35) are not credible. The prototype drawing C1-888 (Exhibit 1001A) reveals it was Michael Coyne alone who drew that prototype drawing. As well, BSA was also involved in the research and development and design of the cast version of the DOMINO JUNIOR valve. Tr. 467:6-468:10; Tr. 288:3-300:4; Exhibit 984, Bifold Resp. to Interrog. Nos. 4, 5 and 35.

195. The testimony of Mr. Fishwick that he alone drew the cast version of the Bifold DOMINO JUNIOR valve is not credible. Tr. 788:12-788:14; Tr. 466:18-466:22. Mr. Fishwick is not an accomplished draftsman and he received considerable assistance from Michael Coyne and BSA in the production of the drawings for the cast version of the DOMINO JUNIOR valve. Tr. 768:9-768:12; Tr. 466:18-467:2; Exhibit 984, Bifold Resp. to Interrog. Nos. 4, 5 and 35; Exhibits 1001A, 1002-1056, 1137A-1140A.

196. The testimony from Mr. Fishwick that the only place he had observed the Versa B-316 valve at or before the time when he was doing drawings for the cast version of the DOMINO JUNIOR valve was at trade exhibitions is not credible. Tr. 468:21-471:7. The Versa B-316 valve was on the Bifold premises and was examined and utilized by Mr. Fish-

wick prior to and during his work on the design of the cast version of the DOMINO JUNIOR. Tr. 459:21-460:1.

197. The testimony from Mr. Fishwick that the button on the DOMINO JUNIOR valve has to look the way it looks in order to function as a button and button cap is not credible. Tr. 472:5-472:10. There are many other commercially feasible ways of designing that button without imitating the Versa trade dress. Smarte Exhibit 1715; Tr. 181:24-202:24; Tr. 460:2-460:12; 472:5-473:4.

198. The Bifold answers to Requests to Admit denying that the Bifold DOMINO JUNIOR valve is intended to compete with the Versa B-316 valve are not credible. Exhibit 985; Tr. 473:7-473:15.

199. The Bifold answers to Requests to Admit denying that the external appearance of the Bifold DOMINO JUNIOR valve could have been designed differently without affecting the valve's function or without increasing cost are not credible. Exhibit 985; Tr. 475:7-476:4. The external appearance could have been designed differently without affecting the valve's function or increasing cost. This was not done because Bifold decided to copy the Versa valve. Tr. 475:7-476:9; Tr. 274:21-274:24; Tr. 860:24-861:11; 867:21-868:4.

200. The Bifold answers to Requests to Admit denying that the visual appearance of the Bifold DOMINO JUNIOR valve was patterned after the visual appearance of the Versa B-316 valve are not credible. Exhibit 985; Tr. 476:10-476:19. The Bifold DOMINO JUNIOR valve was an intentional copy of the Versa B-316 valve. Tr. 476:10-477:16.

201. The Bifold answer to Versa interrogatory no. 8 is not credible. Exhibit 984. Bifold's explanation for the reasons behind the shape and appearance of the DOMINO JUNIOR valve was as follows: "The shape and appearance of the valve is a result of casting the valve previously made from bar stock with the addition of a spine to carry a solenoid feed. Bifold instructed the casting company to remove as much surplus metal as possible. Inevitably, the body shape in Exhibit photo

1, Exhibit A, resulted." The shape and appearance were not inevitable. Tr. 198:9-199:19; 199:20-202:24; Tr. 478:25-479:4. Instead, they resulted from the copying of the Versa B-316 valve. Tr. 198:9-199:11; Exhibit 1715; Tr. 476:10-476:19.

202. The Bifold answer to Versa interrogatory no. 21 denying that its employees, agents or representatives ever compared or made remarks regarding the appearance of the DOMINO JUNIOR valve in relation to the Versa B-316 valve is not credible. Exhibit 984; Tr. 479:5-480:13. Bifold's representative in the United States, Mr. James Carr, told Gordon Fraleigh that the DOMINO JUNIOR was an "exact copy" of the Versa B-316 valve. Tr. 279:17-281:18; *see also* Tr. 316:22-317:7 (comments of Draper to Hans Alberts at a trade show in Stavanger, Norway). Mr. Millius, Bifold's representative in the Netherlands, conceded to Mr. Alberts that the Bifold DOMINO JUNIOR valve was a copy of the Versa B-316 valve. Tr. 320:24-321:17. Robert Forrest, a former Technical Director and Design Engineer at Bifold, told Michael Draper and Jim Fishwick that the Versa B-316 valve and the Bifold DOMINO JUNIOR looked very similar to one another and further advised that Bifold was "skating on thin ice" with regard to its manufacture of the DOMINO JUNIOR. Tr. 480:2-480:13. A number of Bifold employees have made comments that the Versa B-316 valve and Bifold DOMINO JUNIOR valve are similar in appearance and the Bifold valve is a copy of the Versa valve. Tr. 479:5-480:1; 509:20-510:7.

203. The Bifold answer to Versa interrogatory no. 26 denying that Bifold or any outside entity working for or with Bifold analyzed or utilized the Versa B-316 valve in any way in designing the Bifold DOMINO JUNIOR valve is not credible. Exhibit 984. Bifold examined and analyzed the Versa B-316 valve prior to and during the design of the DOMINO JUNIOR valve and its designers had the Versa B-316 valve on their desks and made reference to it while designing the DOMINO JUNIOR valve. Tr. 451:6-452:14; 453:21-454:2.

BSA had Versa drawings and samples of the major components of the Versa B-316 valve in its possession while assisting in the DOMINO JUNIOR design and casting. Tr. 467:6-468:10; Tr. 288:3-300:4; 297:12-297:15; Exhibits 775-784.

P. *The Trade Dress of the Versa B-316 Valve is Not Functional and Any Number of Commercially Feasible Design Alternatives Exist*

204. With the exception of its appearance, there are no nonfunctional aspects of the B-316 design. Versa never included unnecessary or nonfunctional features in its valves. Tr. 209:23-210:6; Tr. 660:4-10; Tr. 677:9-17.

205. No function is served by the external appearance (trade dress) of the Versa B-316 valve other than to identify the valve as a Versa product. Tr. 179:18-181:23; 223:19-223:24; Exhibit 1715; Tr. 374:20-377:16; Exhibits 756-759; 1707, 1709, 1712.

206. Although Versa was unable to precisely articulate its alleged trade dress, there is a distinctive appearance, trade dress by design.

207. No function is served by the external appearance of the Bifold DOMINO JUNIOR valve. Tr. 181:24-202:24. The external appearance of the cast version of the Bifold DOMINO JUNIOR valve could have been designed differently without affecting the function of that valve. Smarte Exhibit 1715; 181:24-202:24; 270:25-271:12; Tr. 374:20-377:16; Tr. 475:7-475:22.

208. There was no functional reason for Bifold to design its DOMINO JUNIOR valve to be virtually identical in appearance to the Versa B-316 valve. Smarte Exhibit 1715; 181:24-202:24; 270:25-271:12; Tr. 374:20-377:16; Tr. 475:7-475:22. Many alternate, commercially feasible designs exist (Smarte Exhibit 1715; 181:24-202:24; Forrest 475:7-475:22) without affecting the valve's ability to function for its intended use. Smarte Exhibit 1715; 181:24-202:24.

209. When Bifold began to replace its bar stock DOMINO JUNIOR valves with a cast version, Versa was concerned that it would lose business to Bifold, (Tr. 692:20-693:7; Tr. 711:16-712:16 [Versa was concerned that Bifold "would be in a position to deal a mortal blow to a key market"]) because of the appearance of the DOMINO JUNIOR, a knock-off of the Versa valve.

210. Bifold's own expert, Mr. Wayne Ulanski acknowledged there are any number of different ways to design the valves at issue and still have them function for their intended purpose. Ulanski 861:8-861:11. Mr. Ulanski further admitted that there is no one best way to design these valves. Tr. 867:21-868:4.

211. There is no need for the major rib on the Bifold DOMINO JUNIOR valve to serve as the casting gate through which to pour the molten stainless steel during the casting process. It could be gated along the bottom surface, at the minor rib, at areas around the single port on the horizontal bar of the design or between the two ports of the valve. Exhibit 751; Tr. 261:17-263:3.

212. Alternate valve body designs exist in the marketplace that do not remotely resemble the Versa B-316 valve body and are manufactured by companies that are selling their valves for the same uses and applications as the Versa B-316 valve, including emergency shut down control panel business. Tr. 63:24-64:2; 72:373:17; Tr. 181:24-202:24; Exhibit 1715; Tr. 308:4-308:11. These competing valves are cost competitive with the Versa B-316 valve and compete directly with the Versa B-316 valve in the marketplace. Tr. 381:1-381:22.

(a) Exhibit 1717 is a valve manufactured by Versa competitor Sigma that is competitive with the Versa B-316 valve and is sold in the marketplace as a functional equivalent to the Versa B-316 for the same applications and uses as Versa's B-316 valve. This valve can perform the same functions of the Versa B-316 valve but does not resemble it. Exhibit 759; Tr. 73:20-74:5 Tr. 189:8-191:22; Tr. 384:4-386:4.

(b) Exhibit 1718 is a valve manufactured by Versa competitor HLR that is competitive with the Versa B-316 valve and is sold in the marketplace as a functional equivalent to the Versa B-316 for the same applications and uses as Versa's B-316 valve. This valve can perform the same functions of the Versa B-316 valve but does not resemble it. Exhibit 758; Tr. 74:8-74:17; Tr. 186:20-188:12; Tr. 382:7-384:1.

(c) Exhibit 1719 is a valve manufactured by Versa competitor BWB that is competitive with the Versa B-316 valve and is sold in the marketplace as a functional equivalent to the Versa B-316 for the same applications and uses as Versa's B-316 valve. This valve can perform the same functions of the Versa B-316 valve but does not resemble it. Exhibit 758; Tr. 74:20-75:2; Tr. 183:5-184:9; Tr. 377:19-380:8.

(d) Exhibit 760 is a valve manufactured by Versa competitor Nutech that is competitive with the Versa B-316 valve and is sold in the marketplace as a functional equivalent to the Versa B-316 for the same applications and uses as Versa's B-316 valve. This valve can perform the same functions of the Versa B-316 valve but does not resemble it. Exhibit 758; Tr. 75:21-76:3; Tr. 184:10-186:11.

(e) Exhibit 761 is a valve manufactured by Versa competitor Ruelco that is competitive with the Versa B-316 valve and is sold in the marketplace as a functional equivalent to the Versa B-316 for the same applications and uses as Versa's B-316 valve. This valve can perform the same functions of the Versa B-316 valve but does not resemble it.

(f) Exhibit 975 is a valve manufactured by Versa competitor Pneuhydro that is competitive with the Versa B-316 valve and is sold in the marketplace as a functional equivalent to the Versa B-316 for the same

applications and uses as Versa's B-316 valve. This valve can perform the same functions of the Versa B-316 valve but does not resemble it. Exhibit 757; Tr. 76:4-76:12; Tr. 194:22-195:14; Tr. 386:10-387:4.

(g) Exhibits 976 and 977 are valves manufactured by Versa competitor BWB that are competitive with the Versa B-316 valve and are sold in the marketplace as functional equivalents to the Versa B-316 for the same applications and uses as B-316 valve. These valves can perform the same functions of the Versa B-316 valve but do not resemble it. Compare Exhibits 976 and 757 and Exhibits 977 and 756; Tr. 75:3-75:20; Tr. 181:20-181:21; 194:22-195:14; 195:15-195:25; Tr. 387:5-387:21.

(h) Exhibit 694 illustrates a valve manufactured by Versa competitor Sigma that is in fact competitive with the Versa B-316 valve and is sold in the marketplace as a functional equivalent to the Versa B-316 for the same applications and uses as Versa's B-316 valve. This valve can perform the same functions of the Versa B-316 valve but does not remotely resemble it. *See* Exhibit 759 for Versa functional equivalent.

(i) Exhibits 762-771 illustrate valves manufactured by European competitor BRISCO Engineering, Ltd. that are competitive with the Versa B-316 in Europe and are sold in the marketplace for the same applications and uses as Versa's B-316 valve. Tr. 308:22-309:20; 310:16-310:24. These valves can perform the same functions of the Versa B-316 valve but do not resemble it. *See* Exhibit 759 for Versa functional equivalent; Tr. 308:22-309:20; 310:16-310:24.

(j) Exhibit 772 illustrates a valve manufactured by European competitor Midland Pneumatic, Ltd. that is competitive with the Versa B-316 in Europe and is sold in the marketplace for the same applications and

uses as Versa's B-316 valve. Alberts 309:25-310:15; 310:25-311:7. This valve can perform the same functions of the Versa B-316 valve but does not resemble it. *See* Exhibit 759 for Versa functional equivalent; Tr. 309:25-310:15; 310:25-311:7.

213. There is no functional or engineering reason that would prevent any or all of the manufacturers listed above from downsizing and/or casting the valves listed in the previous paragraph if they wanted to do so. Tr. 183:9-184:9; 186:12-188:12; 190:16-191:4; 195:6-196:4.

214. The comparative size and weight of the valves that compete for the offshore control panel business at issue is not a factor in the decision of which manufacturer's valve to purchase because size and weight of these valves relative to the size, weight and strength of the control panel is insignificant. Tr. 252:15-252:25; Tr. 379:10-381:13; 383:10-384:1; 385:13-386:4. Mr. Gerald Murphy was one of the leading manufacturers of offshore control panels in the world and never specified the weight of a valve to be used on his panels. Tr. 413:3-413:17. Bifold's contention that the weight of a valve is of considerable significance to a control panel user is undercut by the fact that Bifold admits that its DOMINO JUNIOR valve body is thirty percent heavier than the Versa B-316 valve body. Draper 643:3-643:9. Moreover, some of the competitive valves for the off-shore oil business at issue are heavier in weight than the Versa B-316 cast valve and some are lighter in weight. Tr. 117:25-118:18; *see* Exhibits 1717, 1718 and 1719 (heavier) and Exhibits 975, 976 and 977 (lighter).

215. The cost comparison between competitive valves cannot be limited to simply the amount of metal used because there is significant work that must be done to a cast valve after it is returned from the casting company, including significant handling and machining of the product, which adds to the costs associated with the product. Tr. 258:7-259:10. Bifold conceded that even if additional metal had been taken off its DOMINO JUNIOR valve, it would not have decreased

its costs. Tr. 803:1-803:6. Significantly, the bar stock valve competitors are directly competitive in price with the Versa B-316 cast valve. Tr. 381:4-381:22.

216. Because of the additional metal in its DOMINO JUNIOR and the available alternative designs available, Bifold could have adopted an alternate trade dress for its DOMINO JUNIOR cast valve without increasing its cost. Tr. 274:21-274:24; Tr. 475:23-476:9.

217. There is nothing about the flow rate of the smaller competitor's valve Exhibit 977 that makes it less desirable for control panel use because these valves typically signal another component so that the flow rate is insignificant for the application. Tr. 264:15-265:10; Tr. 439:4-440:10. Moreover, Bifold conceded its older and smaller diaphragm valve (Exhibit 1742) is basically equal to the flow rate of DOMINO JUNIOR. Tr. 546:10-546:11; compare Exhibits 977 and 1742.

218. The alleged product improvement of "universal application" claimed by Bifold in its design of the DOMINO JUNIOR valve is unrelated to the appearance or trade dress of the valve.

219. Alternate actuator designs are available in the marketplace that are the functional equivalent of actuators on the Versa B-316 valves and that do not mimic the Versa B-316 valve actuators.

(a) Exhibit 1717 is a competitive valve to the Versa B-316 valve that utilizes a knob that is the functional equivalent of the Dimco Gray knob on the Versa B-316 valve. Tr. 190:16-191:22. The knob on Exhibit 1717 does not mimic the appearance of the Versa B-316. Compare Exhibit 1717 to Exhibit 759; Tr. 191:23-193:24; Tr. 312:3-312:21; *see also* Exhibits 549, 562, 600, 635, 638, 647, 762, 766, 772.

(b) The Bifold DOMINO valve, Exhibit 747 utilizes a knob that is the functional equivalent of the Dimco Gray knob that is utilized on the Versa B-316 valve.

See Exhibit 759. The knob on the Bifold DOMINO valve does not mimic the appearance of the B-316 valve. Compare Exhibit 747 to Exhibit 759; Vetter 114:8-114:24.

(c) Exhibit 1177 illustrates the wide array of molded plastic knob designs that are available in the marketplace. Bifold could have selected any of several knobs for its DOMINO JUNIOR valve that do not mimic the appearance of the Versa B-316 valve. Tr. 194:2-194:14; 191:23-193:24; Tr. 115:25-117:22; *see also* Exhibit 1730.

(d) Exhibits 760, 761, 1718 and 1719 are competitive valves to the Versa B-316 valve that utilize status indicators and housings that are the functional equivalent of the status indicator and housing that is utilized on the Versa B-316 valve. Exhibit 758; Tr. 183:9-183:14; 184:10-186:11; 186:20-187:9. The status indicators and housings on Exhibits 760, 761, 1718 and 1719 do not mimic the appearance of the Versa B-316 status indicator and housing. Exhibit 758.

(e) Bifold could have selected any of several eyeball indicators for its DOMINO JUNIOR valve other than the one it chose that mimics the Versa B-316 eyeball indicator and could have designed a housing to hold the eyeball indicator in an almost limitless choice of configurations that would still allow the housing to hold the eyeball in place while functioning as a knob actuator. Exhibit 1715; Tr. 611:5-611:9.

(f) Exhibits 760, 1718 and 1719 utilize manual latching mechanisms that perform the same functions as the latching mechanism on the Versa B-316 valve. Exhibit 758; Tr. 188:13-189:5. The manual latching mechanisms on Exhibits 760, 1718 and 1719 do not mimic the appearance of the Versa B-316 latching mechanism. Exhibit 758.

(g) Bifold could have designed a manual latching mechanism in any of several configurations that would perform the manual latch function of holding the actuator shaft in an open position while not mimicking the appearance of the Versa B-316 valve latching mechanism. Smarte Exhibit 1715.

(h) Exhibits 975 and 976 utilize buttons and button caps that perform the same function as the button and button cap on the Versa B-316 valve but do not mimic the appearance of the Versa B-316 button and button cap. Exhibit 757; Tr. 194:22-195:25.

(i) Bifold could have designed a button and button cap in any of several configurations that would perform the same function as the button and button cap on the Versa B-316 valve while not mimicking the appearance of the Versa B-316 button and button cap. Exhibit 1715. Versa's expert has observed buttons that were both smaller and larger than the Versa button, and that were longer than the Versa button, but never has he observed a button and button cap that were interchangeable with the Versa valve the DOMINO JUNIOR valve. Smarte Exhibit 1715.

(j) Exhibits 1717, 1718, 1719, 760 and 761 utilize pilot caps that perform the same functions as the pilot cap on the Versa B-316 valve. Exhibit 756. The pilot caps on Exhibits 1717, 1718, 1719, 760 and 761 do not mimic the appearance of the Versa B-316 pilot cap. Exhibit 756.

220. Bifold could have designed its DOMINO JUNIOR valve to have a solenoid feed capability without mimicking the appearance of the Versa B-316 valve. Tr. 196:20-199:15; 245:8-246:12; 250:1250:5; 875:19-876:16.

221. Any or all of the following changes could have been made to the Bifold DOMINO JUNIOR valve without affecting its ability to function for its intended purpose and without affecting its ability to compete fairly in the marketplace.

Smarte Exhibits 1715, 788, 788a, 789, 789a; Tr. 199:20-202:24.

(a) The size of the valve could have been enlarged or made smaller.

(b) The contours of the valve body, the ribs and/or the flanges could have been rounded, domed, or angled other than at right angles so as to not imitate the Versa B-316 valve.

(c) Those portions of the valve that define the port locations could have been squared or otherwise designed so as not to imitate the Versa B-316 valve.

(d) There was no need for the bottom rib to connect the flanges on the valve body and in fact, the bottom rib could have been almost completely eliminated.

(e) The port locations could have been changed in relation to one another as is done with the "B.W.B." and "HLR" valves.

222. Bifold could have created a competing product without adopting a design and appearance that is virtually identical to the Versa B-316 valve. Exhibits 788, 788a, 789, 789a, 1715; Tr. 199:20-202:24; Tr. 475:8-476:9; 478:5-478:11.

Q. *There is a Likelihood of Confusion Resulting from the Virtual Identity in Appearance Between the Bifold DOMINO JUNIOR Valve and the Versa B-316 Valve.*

223. Bifold has hired Mr. James Carr, III, a former Versa valve regional marketing manager for six years, as its sole sales representative in the United States. Tr. 81:11-81:21; Tr. 136:13-138:12; 139:3-140:3; Tr. 618:13-619:2. Bifold never interviewed or contacted any individual other than Versa's former regional sales manager to serve as Bifold's United States sales representative. Tr. 619:17-619:25.

224. Mr. Carr has already undertaken to sell Bifold products to another Versa distributor, Mr. Gordon Fraleigh, by soliciting him and emphasizing that the Bifold valve is an "exact copy" of the Versa B-316 valve. Tr. 279:17-281:18. Mr. Fraleigh had known Mr. Carr for a number of years while Mr. Carr was a Regional Sales Manager for Versa. Tr. 279:17-279:21. As a result of Mr. Carr's solicitation of Mr. Fraleigh in which he stated that the Bifold valve was an "exact copy" of the Versa B-316 valve, there was confusion in Mr. Fraleigh's mind as to the relationship between Versa and Bifold. Tr. 280:24-282:4. This confusion was heightened by Mr. Carr's prior relationship with Versa. Tr. 280:24-282:4.

225. At least one customer has forwarded to Bifold a telefax that was initially addressed to Versa. (Exhibits 1244-1246).

226. When Mr. Frank Vetter was asked by Bifold's attorney for examples of actual confusion between Bifold's DOMINO JUNIOR valve and Versa's B-316 valve, Mr. Vetter related that he had been advised of confusion at trade shows. Tr. 104:12-104:18. Mr. Hans Alberts, Sales Manager for Versa, B.V., substantiated that he had discussions with people at the Stavanger, Norway trade show regarding the issue of confusion, including Mr. Ellingston of Hark & Ellingston, a major competitor in Norway and Mr. Ungerskruge, an employee of a company named Holter that manufacturers wellhead control panels. Tr. 320:11-320:22.

227. Although there are some purchasers of the Versa B-316 valves that are sophisticated, large numbers of the purchasers of the Versa B-316 valves are not sophisticated, thereby increasing the likelihood of confusion. Tr. 311:14-312:2; Tr. 710:10-710:13.

228. Since his appointment as Bifold's Sales Representative in the United States, Mr. Carr still has access to Versa valve products and has recently sold Versa valves to the same customers to whom he will be selling Bifold valves. Tr. 140:9-144:1.

229. The DOMINO JUNIOR valve was made to be a replacement for the Versa B-316 valve and the DOMINO JUNIOR can in fact interchange with and physically replace the Versa B-316 in existing applications. Tr. 202:25-203:20; Tr. 389:1-390:1. The consequences of replacing a Versa B-316 cast valve with a Bifold DOMINO JUNIOR cast valve in an existing control panel could be problematic. Tr. 441:12-441:20.

230. The mounting holes on the Versa B-316 valve sufficiently overlap with the mounting holes on the Bifold DOMINO JUNIOR valve so that the valve could be bolted to a panel with 2 or 3 bolts in a manner that would be sufficient for field purposes. Tr. 373:18-374:19. In addition, for panel mounting purposes, the shrouded push button on the Bifold DOMINO JUNIOR valve can fit through the hole in a control panel that mounts the Versa B-316 valve and thus replace the Versa B-316 valve in existing applications. Tr. 202:25-203:20; 878:3-879:8; Tr. 389:1-389:17; 430:8-431:21. There is only .6 mm difference between the diameters of these button caps (Tr. 758:10-758:23), which difference is the size of the point of the lead in a draftsman's pencil plus the thickness of a sheet of paper. Tr. 878:3-878:22. Moreover, the tubing that connects the valves to the rest of the system can readily be changed in the field to accommodate a Bifold DOMINO JUNIOR valve in place of a Versa B-316 valve. Tr. 389:1-390:1; Tr. 202:25-203:20.

231. Bifold has solicited Versa distributor Gordon Fraleigh to sell Bifold valves and has at a minimum contemplated contacting other Versa distributors to sell Bifold valves. Tr. 279:17-281:18; Exhibits 1219-1220.

232. Given the virtual identity in appearance of the Versa B-316 cast valve and the Bifold DOMINO JUNIOR cast valve and the fact that Bifold has not previously sold products in the United States, anyone in the industry might reasonably assume that Versa had manufactured but privately labelled the Bifold DOMINO JUNIOR valve or that the DOMINO JUNIOR valve is otherwise associated with Versa. Murphy Exhibit 1781; Tr. 390:17-394:10.

233. The most likely consequence of the Bifold DOMINO JUNIOR valve in its present appearance in the U.S. marketplace is the creation of confusion. Tr. 390:7-390:22. The "second comer" Bifold DOMINO JUNIOR valve looks so similar to the established Versa B-316 valve that it looks like a private label manufactured by Versa. Tr. 390:22-390:24. The two valves could be confused; consumers would think that there is some relationship between the two valves and two companies. Tr. 390:25-391:1. In fact, the Bifold DOMINO JUNIOR valve is so close in appearance to the Versa B-316 valve that it is a copy, or "knock-off," of the Versa valve. Murphy 391:2-391:6. The Bifold DOMINO JUNIOR valve is unfairly taking advantage of the quality of Versa's name in the industry as well as the reliability of the Versa valve. Tr. 391:7-391:8.

234. Only two DOMINO JUNIOR valves have been sold to date in the United States and those have been sold to Versa's sales representative so that there has been little, if any, opportunity to develop evidence of further confusion in the United States. Tr. 622:2-622:10; Tr. 104:1-104:5.

235. Bifold purported expert witness Wayne Ulanski has no experience in the areas that are relevant to this litigation and his opinions should be provided no weight whatsoever. Specifically:

(a) Mr. Ulanski is not a college graduate, is not an engineer and does not consider himself to be an engineer. Tr. 836:21-837:9.

(b) Mr. Ulanski has never designed a valve. Tr. 844:18-844:20.

(c) Mr. Ulanski has never served as an expert witness before. Tr. 844:21-844:23.

(d) Mr. Ulanski has no experience in the drafting, preparing or reviewing of blueprints or other similar design drawings relating to valves. Tr. 844:24-845:5.

(e) Prior to this litigation, Mr. Ulanski had never heard of the valve manufacturers Bifold, HLR, BWB, Sigma or Pneuhydro and had only very limited knowledge of the valve manufacturer Versa. Tr. 846:24-847:16.

(f) Mr. Ulanski has never been on an offshore oil drilling platform and has never even seen an emergency shutdown system on an oil rig.

(g) Mr. Ulanski has no knowledge of the process for specifying valves for control panel applications. Tr. 848:25-849:12.

(h) The extent of Mr. Ulanski's knowledge with respect to the valves that are the subject of this case as represented by Exhibits 1709 (Versa cast B-316 valve) and 1710 (Bifold cast DOMINO JUNIOR valve) is that they are directional control valves. Mr. Ulanski does not know what type of gas or liquid these valves would be controlling, who the purchasers are, who the end users are, or even what the function of the valve is. Tr. 850:5-853:3.

(i) Mr. Ulanski does not know whether the end users for the Versa B-316 valves are the same and users for the Bifold DOMINO JUNIOR valves or if those valves actually compete in the marketplace. Tr. 853:4-853:22.

(j) Mr. Ulanski is unfamiliar with latching pin mechanisms as used on valves and had not seen them on valves before. Tr. 864:7-865:6.

(k) Mr. Ulanski admitted that there are many number of alternative ways for the Versa B-316 cast valve and Bifold DOMINO JUNIOR cast valve to be designed and still function for their intended purpose. Tr. 860:24-861:11; 867:21-868:4.

II. *CONCLUSIONS OF LAW*

JURISDICTION AND VENUE

1. Jurisdiction is based upon 28 U.S.C. § 1331 as a civil action involving a Federal question arising under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (the "Lanham Act").

2. The defendant has indicated its consent to the exercise of personal jurisdiction over it in this district and to the plaintiff's choice of venue in this district for purposes of this litigation.

3. Plaintiff's state law claims of unfair competition are properly before this court pursuant to the exercise of its supplemental jurisdiction, 28 U.S.C. § 1338(b); the state law claims derive from a common nucleus of operative fact such that the plaintiff would be expected to try all of the claims in one judicial proceeding. *Nanavati v. Burdette Tomlin Memorial Hosp.*, 857 F.2d 96, 105 (3d Cir. 1988), *cert. denied*, 489 U.S. 1078, 109 S.Ct. 1528, 103 L.Ed.2d 834 (1989).

THE LANHAM ACT GENERALLY

4. In its Complaint, Versa alleges unfair competition under Federal law, section 43(a) of the Lanham Act; the trademark and unfair competition law of the State of New Jersey, N.J.S.A. 56:4-1, *et seq.*; and the common law of the State of New Jersey.

5. Section 43(a) of the Lanham Act creates a Federal cause of action for unfair competition. *Knorr-Nahrmittel A.G. v. Reese Finer Foods, Inc.*, 695 F.Supp. 787, 791 (D.N.J. 1988); *American Greetings Corp. v. Dan-Dee Imports Inc.*, 619 F.Supp. 1204, 1218 (D.N.J. 1985).

6. The statutory remedy provided by section 43(a) of the Lanham Act is available whether or not the aggrieved party has a Federally registered trademark. *Le Sportsac, Inc. v. K-Mart Corp.*, 754 F.2d 71, 75 (2d Cir. 1985).

7. For trade dress to be protectable under section 43(a) of the Lanham Act and under New Jersey law, Versa must establish that:

(1) its alleged trade dress is nonfunctional;

(2) its alleged trade dress is inherently distinctive or has acquired distinctiveness through secondary meaning; and

(3) there is a likelihood of confusion in the marketplace between Versa's B-316 valve and Bifold's DOMINO JUNIOR valve.

See Two Pesos, Inc. v. Taco Cabana, Inc., ___ U.S. ___, 112 S.Ct. 2753, 2758, 120 L.Ed.2d 615, 624, *reh'g denied*, ___ U.S. ___, 113 S.Ct. 20, 120 L.Ed.2d 947 (1992); *Merchant & Evans, Inc. v. Roosevelt Bldg. Prods. Co.*, 963 F.2d 628, 633 (3d Cir. 1992).

8. Section 43(a) proscribes not only acts that would technically qualify as trademark infringement but also unfair competitive practices involving actual or potential deception. *SK&F Co. v. Premo Pharmaceutical Lab., Inc.*, 625 F.2d 1055, 1065 (3d Cir. 1980).

9. In particular, section 43(a) of the Lanham Act provides a cause of action for unprivileged imitation. *American Greetings Corp. v Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1140 (3d Cir. 1986); *SK&F, Co.*, 625 F.2d at 1065.

10. Included within the prohibition against unprivileged imitation is the unprivileged imitation of the overall design or appearance of a product or its packaging, commonly referred to as the product's "trade dress." *American Greetings*, 807 F.2d at 1140-41 & n.2; *Knorr-Nahrmittel*, 695 F.Supp. at 791.

11. Although historically trade dress actions typically involved the product packaging, trade dress of a product involves the total image of the product so that the design or appearance of the product itself may function as its trade dress, thus becoming eligible for protection under the Lanham

Act. *American Greetings*, 807 F.2d at 1140; *Le Sportsac*, 754 F.2d at 75; *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 80 n.2 (3d Cir. 1982).

In evaluating and comparing product appearances, a court should not focus mechanically on individual features, but, rather should compare the overall appearance of the product at issue. *Knorr-Nahrmittel*, 695 F.Supp. at 791. Trade dress is a composite of features that must be considered together, not separately. *Id.*

12. The party that is later in entering its product in the market—the "second comer"—has a duty to so name and dress his product as to avoid likelihood of users confusing it with the product of the first comer. *Harlequin Enters., Ltd. v. Gulf & Western Corp.*, 503 F.Supp. 647, 652 (S.D.N.Y. 1980), *aff'd*, 644 F.2d 946 (2d Cir. 1981); *Fotomat Corp. v. Photo Drive-Thru Inc.*, 425 F.Supp. 693, 709 (D.N.J. 1977).

13. Bifold's overt and intentional copying and appropriation of the Versa B-316 valve trade dress in direct competition with Versa amounts to unfair competition and trade dress infringement as prohibited by the Lanham Act.

VERSA'S TRADE DRESS IS NOT FUNCTIONAL

14. Proof of nonfunctionality is an essential element of a trade dress claim under section 43(a). If Versa fails to prove that its alleged trade dress is nonfunctional, the issues of distinctiveness, secondary meaning and likelihood of confusion need not be decided. *See New England Butt Co. v. United States Int'l Trade Comm'n*, 756 F.2d 874, 877 (Fed. Cir. 1985); *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1343 (C.C.P.A. 1982); *Keene Corp. v. Paraflex Indus.*, 653 F.2d 822, 824 (3d Cir. 1981); *Sylvania Elec. Prods., Inc. v. Dura Elec. Lamp Co.*, 247 F.2d 730, 732 (3d Cir. 1957); 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 7.26 (3d ed. 1992).

15. The nonfunctionality requirement preserves the right and need of others to compete effectively. *New England Butt*

Co., 756 F.2d at 877; *Textron, Inc. v. United States Int'l Trade Comm'n*, 753 F.2d 1019, 1024 (Fed. Cir. 1985); *Keene*, 653 F.2d at 824; *Sylvania Elec.*, 247 F.2d at 732.

16. The essence of free market competition is that competitors must be able to use functional utilitarian articles that are not patented. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156-57, 109 S.Ct. 971, 980, 103 L.Ed.2d 118, 137-38 (1989); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238, 84 S.Ct. 779, 782, 11 L.Ed.2d 669, 672, *reh'g denied*, 377 U.S. 913, 84 S.Ct. 1162, 12 L.Ed.2d 183 (1964); *Sears. Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231-32, 84 S.Ct. 784, 789, 11 L.Ed.2d 661, 666-67, *reh'g denied*, 376 U.S. 973, 84 S.Ct. 1131, 12 L.Ed.2d 87 (1964); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 122, 59 S.Ct. 109, 115, L.Ed. 73, *reh'g denied*, 305 U.S. 674, 59 S.Ct. 246, 83 L.Ed. 437 (1938); *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 196 (1st Cir. 1980).

17. Without a patent covering its valve, Versa has no right to prevent others from using its superior functional design. *See Keene*, 653 F.2d at 824.

18. Versa's failure to obtain patent protection has the same consequence as if the design was the subject of an expired patent or not patentable at all. *See Bonito Boats*, 489 U.S. at 152, 109 S.Ct. at 978, 103 L.Ed.2d at 135.

19. Patent protection is the only way to protect a useful design and assert a temporary monopoly over a functional, utilitarian article. *See Textron*, 753 F.2d at 1024.

20. The free competition theory prevents the grant of competitive monopolies for unpatented functional designs. *New England Butt Co.*, 756 F.2d at 877; *Textron*, 753 F.2d at 1025; *In re Hollaender Mfg. Co.*, 511 F.2d 1186, 1187-88 (C.C.P.A. 1975); *Porter v. Farmers Supply Serv., Inc.*, 617 F.Supp. 1175, 1188-89 (D.Del. 1985), *aff'd*, 790 F.2d 882 (Fed. Cir. 1986).

21. "A feature of goods is functional . . . if it affects their purpose, action or performance, or the facility or

> economy of processing, handling or using them; it is non functional if it does not have any of such effects.

Keene, 653 F.2d at 824 (quoting Restatement of Torts § 742 (1938)); *Fotomat*, 425 F.Supp. at 705.

22. Whether the purpose of an article is functional or non-functional is a question of fact. *Porter*, 617 F.Supp. at 1189; *Fotomat*, 425 F.Supp. at 705; *see also Le Sportsac*, 754 F.2d at 76.

23. A court may rely on its own inspection of an article or upon the testimony of the article's designer to determine whether a design feature is functional. *See Methode Elecs., Inc. v. Elco Corp.*, 385 F.2d 138, 141 (3d Cir. 1967); *Porter*, 617 F.Supp. at 1189.

24. Versa must prove that its trade dress serves no purpose except to identify Versa. *See Textron*, 753 F.2d at 1025; *Keene*, 653 F.2d at 826 (citing *SK&F. Co.*, 625 F.2d at 1063).

25. The trade dress of a product is functional only "if it is essential to the use or purpose of the article or . . . affects the cost or quality of the article." *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 850 n.10, 102 S.Ct. 2182, 2187 n.10, 72 L.Ed.2d 606, 613 n.10 (1982).

26. A design feature is "essential" only if it is dictated by the functions to be performed. It is not enough that the feature merely accommodates a useful function. *Artemide Spa v. Grandlite Design and Mfg. Co.*, 672 F.Supp. 698, 707 (S.D.N.Y. 1987); *see Morton-Norwich Prods.*, 671 F.2d at 1338-1343 (shape of plastic container for spray products not essential to its purpose as a sprayer—no particular housing design is necessary to have a pump type sprayer).

27. "[A] discussion of 'functionality' is *always* in reference to the *design* of the thing under consideration (in the sense of its *appearance*) and *not* the thing itself." *Morton-Norwich Prods.*, 671 F.2d at 1338 (emphasis in original). Taking as an example a dish: "[N]o doubt, by definition, a dish always functions as a dish and has its utility, but it is the

appearance of the dish which is important in a case such as this. . . . " *Id.*

28. The inquiry should focus on the extent to which the design feature is related to the utilitarian function (usefulness) of the product or feature. When the design itself is not significantly related to the utilitarian function of the product, but is merely arbitrary, then it is entitled to protection as a design trademark. *Keene*, 653 F.2d at 825. The mere fact that a particular feature or design may perform a function is not conclusive of whether that feature or design is legally functional. *New England Butt Co.*, 756 F.2d at 877.

29. The phrase "essential to its use" does not mean that the parts of the article are essential, but rather that the particular design of the whole assembly of those parts must be essential. *Morton-Norwich Prods.*, 671 F.2d at 1339.

30. In determining whether the trade dress or "look" is functional, consideration should be given to the product as a whole, the trade dress should not be broken into its individual features. *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971, 975 (2d Cir. 1987). "If, seen as a whole, the design or trade dress 'primarily serves a legitimate trademark purpose—identifying the source of the product— . . . [it is] eligible for protection' even though it might also serve functional purposes." *Id.* (quoting *Le Sportsac*, 754 F.2d at 78).

31. Useful, and even industrial, products have obtained protections against unprivileged product imitation. *See, e.g., Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512 (9th Cir. 1989) (Lanham Act protection provided for a "single screw actuated pivoted clamp" whose patent had expired), *cert. denied*, 493 U.S. 872, 110 S.Ct. 202, 107 L.Ed.2d 155 (1989); *In re Mogen David Wine Corp.*, 328 F.2d 925 (C.C.P.A. 1964) (distinctive wine decanter could function as a trademark); *In re Sneakers with Fabric Uppers and Rubber Soles*, 223 U.S.P.Q. (BNA) 536 (Ct. Int'l Trade 1983) (trade dress protection was found for the design of a sneaker sole); *see also Morton-Norwich Prods.*, 671 F.2d 1332 (plastic spray bottle

found to be not functional and remand ordered to determine issues of distinctiveness/secondary meaning).

32. Regardless of the functional nature of any number of features on Versa's product, their combination in the particular physical form chosen is not functional. *See American Greetings*, 619 F.Supp. at 1220.

33. Versa must prove that the "entire design" is arbitrary or nonfunctional. The functionality of the "entire design" is viewed with reference to each individual feature as that feature is reflected in the product's overall appearance. *New England Butt Co.*, 756 F.2d at 877-78; *Textron*, 753 F.2d at 1025.

34. When the overall design of a product results from significant cost and manufacturing considerations, the design is functional. *Inwood Lab.*, 456 U.S. at 850 n.10, 102 S.Ct. at 2187 n.10, 72 L.Ed.2d at 613 n.10; *Fotomat*, 425 F.Supp. at 705; *see Keene*, 653 F.2d at 824. Such is not the case with the Versa B-316 cast valve.

35. A feature is nonfunctional if, when omitted, nothing of substantial value in the product is lost. *Porter*, 617 F.Supp. at 1189; *Fotomat*, 425 F.Supp. at 705. In this case, the appearance of the valve is nonfunctional.

36. The appearance of the Versa B-316 valve presents a particular combination and arrangement of design elements that are original to plaintiff's valve, that identify it as a valve of Versa Products Company, Inc. and that distinguish it from other valves. This arrangement of features is not required by the function of the valve itself and is entitled to protection.

37. Versa does not claim trade dress protection for all three ported valves of a certain size with modular actuators and solenoid feeds. It does claim as its mark, however, the particular combination and arrangement of design elements that identify its B-316 valve as a Versa valve and distinguish it from all other valves that perform the same function. While the valve itself is functional, the appearance of the valve is a

nonfunctional design element that was arbitrarily chosen. *See Ideal Toy*, 685 F.2d at 81.

38. Bifold's ability to compete is not unduly hindered by the holding that Versa's particular configuration of design features that comprise the B-316 valve is not functional; there are numerous competitive valves that differ from the appearance of the Versa valve and still function for their intended purpose.

39. Versa's competitors produce a variety of similar functioning valves which do not look like the Versa valves. These competitors each sell entirely different shaped valve bodies and use entirely different knobs, buttons, status indicators and manual latching pins. In addition, there are other possible trade dress variations for the valve that are limited only by the designer's imagination and would not hinder the product's ability to function for its intended purpose.

VERSA'S ALLEGED TRADE DRESS IS DISTINCTIVE

40. Versa must prove that its alleged trade dress is either inherently distinctive or has acquired distinctiveness through secondary meaning. *See Two Pesos*, ___ U.S. at ___, 112 S.Ct. at 2758, 120 L.Ed.2d at 624; *Merchant & Evans*, 963 F.2d at 633.

The Appearance Of Versa's B-316 Valve Is Not Inherently Distinctive.

41. A trade dress is inherently distinctive if it is arbitrary. *Two Pesos*, ___ U.S. at ___, 112 S.Ct. at 2757, 120 L.Ed.2d at 623-24.

42. The appearance of Versa's cast B-316 valve is not dictated by functional considerations and is arbitrary or inherently distinctive. *See Merchant & Evans*, 963 F.2d at 634; *Keene*, 653 F.2d at 826.

VERSA'S TRADE DRESS HAS ACQUIRED SECONDARY MEANING.

43. So long as trade dress is inherently distinctive, there is no need for a party seeking trade dress protection under section 43(a) of the Lanham Act to prove secondary meaning. Two Pesos, ___, U.S. at ___, 112 S.Ct. at 2760, 120 L.Ed.2d at 626-27; *Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577, 582 (2d Cir. 1993).

44. Products with inherently distinctive trade dress need not prove secondary meaning because a secondary meaning requirement would disfavor new market entrants who possessed a unique trade dress that had not become widely known while favoring those who had enjoyed market success, when no such distinction is found in the Lanham Act. *Two Pesos*, ___ U.S. at ___, 112 S.Ct. at 2761, 120 L.Ed.2d at 628; *Paddington Corp.*, 996 F.2d at 582.

45. What is critical for Lanham Act section 43(a) analysis "is not whether a trade dress has in fact come to identify a specific producer, but whether it is '*capable* of identifying a particular source of the product.' " *Paddington Corp.*, 996 F.2d at 582-83 (quoting *Two Pesos*, ___ U.S. at ___, 112 S.Ct. at 2759, 120 L.Ed.2d at 626) (emphasis added).

46. Trade dress acquires secondary meaning if the purchasing public associates the product configuration with a particular source. *Clamp Mfg.*, 870 F.2d at 517; *Ideal Toy*, 685 F.2d at 82; *Knorr-Nahrmittel*, 695 F.Supp. at 792.

47. Secondary meaning may be shown by the length of plaintiff's use. *Ideal Toy*, 685 F.2d at 82; *Knorr-Nahrmittel*, 695 F.Supp. at 792; *Ciba-Geigy Corp. v. Bolar Pharmaceutical Co.*, 547 F.Supp. 1095, 1113 (D.N.J. 1982), *aff'd*, 719 F.2d 56 (3d Cir. 1983), *cert. denied*, 465 U.S. 1080, 104 S.Ct. 1444, 79 L.Ed.2d 763 (1984). Versa has used the distinctive cast B-316 trade dress for the last 10 years.

48. Where trade dress is distinctive and non-functional, long and continued use suggests the establishment of secondary meaning, *Knorr-Nahrmittel*, 695 F.Supp. at 792.

49. Secondary meaning may be shown by buyers' association of the product appearance with the source of the product. *Ideal Toy*, 685 F.2d at 82; *Knorr-Nahrmittel*, 695 F.Supp. at 792; *Ciba-Geigy*, 547 F.Supp. at 1113. Purchasers in the industry associate the appearance of the B-316 valve with Versa.

50. Secondary meaning may be shown by the extent of sales and advertising of the product. *Ideal Toy*, 685 F.2d at 82; *Knorr-Nahrmittel*, 695 F.Supp. at 792; *Ciba-Geigy*, 547 F.Supp. at 1113. Secondary meaning can also be inferred from extensive sales of goods sold under the particular trade dress. *Ciba-Geigy*, 547 F.Supp. at 1113. Over the last ten years, Versa has sold many millions of dollars worth of B-316 series valves. Versa's advertisements in trade journals such as *Chemical Processing*, *Design News*, *Design Engineering*, *Designfax*, *Intech* and others are directed at the buyers and users of the Versa valves, and these ads prominently display in pictorial form the trade dress of the Versa B-316 valve. Versa's B-316 valves are also advertised by the distribution of product brochures and bulletins wherein the distinctive overall trade dress of the B-316 valves is prominently displayed (Findings of Fact, ¶ 34; Exhibits 92; 101-173) and the trade dress of Versa's B-316 valves is also prominently displayed at trade shows and similar sales exhibitions. (Exhibits 238, 246, 247, 249-255, 257).

51. The most persuasive evidence of secondary meaning is the fact that another entity has copied Versa's trade dress. *Ciba-Geigy*, 547 F.Supp. at 1113; *Boehringer Ingelheim G.m.b.H. v. Pharmadyne Lab.*, 532 F.Supp. 1040, 1064 (D.N.J. 1980). A product is generally considered to have acquired distinctiveness and secondary meaning when its trade dress has been copied, *id.*, so that the fact of copying alone is sufficient to establish secondary meaning in a trade dress case. *Knorr-Nahrmittel*, 695 F.Supp. at 792-793; *Boehringer*, 532 F.Supp. at 1064.

LIKELIHOOD OF CONFUSION

52. In order to prevail on a claim of trade dress infringement, a plaintiff must also demonstrate a likelihood of confusion between the products. *Knorr-Nahrmittel*, 695 F.Supp. at 791.

53. The absence of any likelihood of confusion is alone sufficient to deny Versa the requested relief. *See American Home Prods. Corp. v. Barr Lab, Inc.*, 834 F.2d 368, 370, 371 (3d Cir. 1987).

54. Versa need not show actual confusion in order to succeed on a claim of infringement. Only a showing of the likelihood of confusion is required. *Knorr-Nahrmittel*, 695 F.Supp. at 794 (citing *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134 (3d Cir. 1981)).

55. Versa has the burden of proving that an appreciable number of buyers are likely to be confused as to the origin of Bifold's DOMINO JUNIOR valve. *See American Home Prods.*, 834 F.2d at 370; *Mennen Co. v. Gillette Co.*, 565 F.Supp. 648, 653 (S.D.N.Y. 1983), *aff'd mem.*, 742 F.2d 1437 (2d Cir. 1984).

56. A lower standard for "likelihood of confusion" is applied where a newcomer to an area already occupied by a long established entity is the alleged violator. *Merchant & Evans Inc. v. Roosevelt Bldg. Prods. Co.*, 774 F.Supp. 1467, 1482 (E.D.Pa. 1991). The Third Circuit uses the phrase "possibility of confusion" to describe this standard. *Id.* (citing *Country Floors, Inc. v. Partnership Composed of Gepner and Ford*, 930 F.2d 1056, 1065 (3d Cir. 1991)).

57. The Third Circuit, in *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978), established ten factors that serve as a guide in determining the existence of likelihood of confusion (said factors are incorporated below and discussed in more detail in plaintiff's trial brief). *Id.* at 1229.

58. Similarity between the product appearances is the threshold issue in determining likelihood of confusion. *Scott*

Paper, 589 F.2d at 1229; *Knorr-Nahrmittel*, 695 F.Supp. at 793.

59. If the overall impression created by the trade dress is essentially the same, it is very probable that the products are confusingly similar. *Merchant & Evans*, 774 F.Supp. at 1482. The overall appearance of the Versa B-316 valve and the Bifold DOMINO JUNIOR valve is virtually identical; there is a likelihood confusion.

60. The fact that the source of the product is clearly designated on the product does not establish that plaintiff has failed to demonstrate a likelihood of confusion as such element is simply one factor to be assessed when resolving the confusion issue. *See Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 496 F.Supp. 854, 858 n. 5 (S.D.N.Y. 1980), *rev'd on other grounds*, 652 F.2d 299 (2d Cir. 1981), *cert. denied*, 455 U.S. 909, 102 S.Ct. 1257, 71 L.Ed.2d 448 (1982).

61. In selling a competing valve, Bifold's duty is to take reasonable steps to prevent deception. *See Kellogg*, 305 U.S. at 121, 59 S.Ct. at 115, 83 L.Ed. 73; *Sylvania Elec.*, 247 F.2d at 734.

62. An intent to copy trade dress and/or finding of copying by a junior user is often alone dispositive of a finding of likelihood of confusion. *See American Chicle Co. v. Topps Chewing Gum, Inc.*, 208 F.2d 560, 562-63 (2d Cir. 1953); *Scott Paper*, 589 F.2d at 1229-30; *Carolina Enters. v. Coleco Indus.*, 211 U.S.P.Q. (BNA) 479, 487 (D.N.J. 1981). The evidence submitted unquestionably demonstrates that the design of the Bifold DOMINO JUNIOR valve was the result of intentional and purposeful copying of the Versa B-316 valve. Findings of Fact, ¶¶ 38-75. This overwhelming evidence of copying warrants a finding of likelihood of confusion.

63. When products are used in the same applications, such a competitive proximity of goods strongly favors a finding of likelihood of confusion. *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462 (3d Cir. 1983); *see Scott Paper*, 589 F.2d. at 1229. Both the Versa B-316 valve and the infringing Bifold DOMINO JUNIOR valve are used in the exact same appli-

cations. In fact, the DOMINO JUNIOR valve was made to be a replacement for the Versa B-316 valve and can interchange with and physically replace the Versa B-316 valve in existing applications.

64. Bifold DOMINO JUNIOR valves have a very similar appearances to Versa's B-316 valves; there is a likelihood of confusion. *See Kellogg*, 305 U.S. at 120-21, 59 S.Ct. at 114, 83 L.Ed. 73; *Sylvania Elec.*, 247 F.2d at 734.

65. If an alternative design configuration requires additional amounts of metal and adds significantly to the cost of an article, that alternative configuration is not competitive, and is not commercially acceptable. *See Kellogg*, 305 U.S. at 122, 59 S.Ct. at 114-15, 83 L.Ed. 73; *New England Butt Co.*, 756 F.2d at 879; *Textron*, 753 F.2d at 1026. Such is not the situation presented in this case. The cast Bifold DOMINO JUNIOR valve has thirty percent more metal than the cast Versa B-316 valve. This additional metal can be used to change the appearance of the Bifold valve.

66. There are several commercially feasible alternative designs for the cast Versa B-316 and the cast Bifold DOMINO JUNIOR valves. *See Kellogg*, 305 U.S. at 122, 59 S.Ct. at 115, 83 L.Ed. 73; *New England Butt Co.*, 756 F.2d at 879; *Textron*, 753 F.2d at 1026.

67. A trade dress comprising a product's "overall appearance" cannot be judicially protected if it prevents a competitor from using unpatented, functional features, *American Greetings*, 807 F.2d at 1147-48, however, such a result is not presented by the facts of this case.

68. To protect a trade dress in the overall appearance of a product, Versa must provide an adequate list of described features constituting the protected combination to assure that Bifold is not prevented from using any functional design features. *See American Greetings*, 807 F.2d at 1142; *Textron*, 753 F.2d at 1024.

69. Functional design features do not include the overall appearance of Versa's cast B-316 valve; the nonfunctional

appearance of the cast Versa B-316 valve is protectable as trade dress. *See American Greetings*, 807 F.2d at 1143; *New England Butt Co.*, 756 F.2d at 877-88; *Textron*, 753 F.2d at 1026-27.

70. Other than the two valves sold to distributors, Bifold has not sold and delivered any cast DOMINO JUNIOR valves in the United States; Versa cannot receive monetary relief. *See Strike It Rich, Inc. v. Jos. Schlitz Brewing Co.*, 505 F.Supp. 89, 91-92 (D.D.C. 1980).

NEW JERSEY STATUTORY AND COMMON LAW

71. New Jersey's Unfair Competition Statute, N.J.S.A. 56:4-1 *et seq.*, prohibits a merchant, firm or corporation from appropriating for his own use a name, brand, trademark, reputation or goodwill of any maker in whose product such merchant, firm or corporation deals.

72. The New Jersey state law of unfair competition includes the torts of: (1) passing off one's goods or services as those of another; (2) unprivileged imitation. *SK&F, Co.*, 625 F.2d at 1062; *Merchant & Evans*, 774 F.Supp. at 1479.

73. It is unfair competition for a person to put a product into a dealer's hands which a producer can reasonably anticipate may be easily passed off as the goods of another. *SK&F, Co.*, 625 F.2d at 1062; *Boehringer*, 532 F.Supp. at 1061. In fact, if the passing off is foreseeable or reasonably may be anticipated, liability rests with the manufacturer even in the absence of any intent to pass off by the manufacturer. *Id.* Distributors who are driven by profit maximization will have opportunities to promote the Versa B-316 valves and Bifold DOMINO JUNIOR valves as being interchangeable and/or to pass off the DOMINO JUNIOR valve as a valve associated with Versa. Findings of Fact, ¶¶ 100-105.

74. The New Jersey common law and statutory prohibition of unprivileged imitation generally parallels the unfair competition cause of action under section 43(a) of the Lanham Act. *SK&F, Co.*, 625 F.2d at 1065; *Boehringer*, 532 F.Supp. at 1062, 1064.

75. The elements of proof for the state cause of action are essentially the same as for the Federal cause of action. *Ciba-Geigy Corp. v Bolar Pharmaceutical Co.* 747 F.2d 844, 858, 862-63 (3d Cir. 1984), *cert. denied*, 471 U.S. 1137, 105 S.Ct. 2678, 86 L.Ed.2d 696 (1985); *SK&F, Co.*, 625 F.2d at 1062-63.

76. Bifold's use of confusingly similar trade dress constitutes both passing off and unprivileged imitation as prohibited by the unfair competition law of the State of New Jersey.

VERSA IS ENTITLED TO INJUNCTIVE RELIEF

77. In adopting the distinctive trade dress of Versa, Bifold has attempted to deprive Versa of the good will which it has spent time, energy and money to obtain and has attempted to arrogate to itself Versa's reputation, thus threatening Versa with harm that is not compensable by monetary damages. *See Merchant & Evans*, 774 F.Supp. at 1483.

78. Bifold's infringement on the trade dress of Versa's B-316 valve in violation of section 43(a) of the Lanham Act warrants the imposition of a permanent injunction. *See, e.g., G.D. Searle & Co. v. Hudson Pharmaceutical Corp.*, 715 F.2d 837 (3d Cir. 1983); *Ferrero U.S.A., Inc. v. Ozak Trading Inc.*, 753 F.Supp. 1240 (D.N.J. 1991), *aff'd mem.*, 935 F.2d 1281 (3d Cir. 1991); *Knorr-Nahrmittel*, 695 F.Supp. 787.

79. An injunction granted to enjoin trade dress infringers specifies that the appearance of the article that is actually the subject of the lawsuit must be changed and that no other appearance or trade dress that is "confusingly similar" to plaintiff's trade dress be employed in the future. *See Scandia Down Corp. v. Euroguilt, Inc.*, 772 F.2d 1423, 1432 (7th Cir. 1985), *cert. denied*, 475 U.S. 1147, 106 S.Ct. 1801, 90 L.Ed.2d 346 (1986); *Soft Sheen Prods., Inc. v. Revlon Inc.*, 11 U.S.P.Q.2d (BNA) 1696, 1702-03 (N.D.Ill. 1989), *appeal dismissed*, 1991 U.S.App. LEXIS 4328 (7th Cir. 1991).

80. The injunction must cover "confusingly similar" trade dresses to the above-detailed overall appearance in order to

prevent willful infringement. *Wynn Oil Co. v. American Way Serv. Corp.*, 943 F.2d 595, 608-09 (6th Cir. 1991). Enjoining the sale of products which are confusingly similar is common in trademark and unfair competition cases and is in compliance with Fed. R. Civ. P. 65. *Id.*; *see also Elvis Presley Enters. v. Elvisly Yours, Inc.*, 936 F.2d 889, 896-97 (6th Cir. 1991); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 524 (10th Cir. 1987); *Scandia Down*, 772 F.2d at 1432.

81. Versa is entitled to an injunction which protects the trade dress of the B-316 valve from infringement by Bifold.

ATTORNEYS FEES

82. The Lanham Act contemplates the award of attorneys fees to the "prevailing party" in "exceptional" cases. *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.*, 952 F.2d 44, 47 (3d Cir. 1991).

83. Deliberate and wilful infringements can render a case "exceptional" and thus support an award of attorneys fees *Ferrero*, 952 F.2d at 47; *Knorr-Nahrmittel*, 695 F.Supp. at 795, *Vermont Castings, Inc. v. Evans Prods. Co., Grossman's Div.*, 215 U.S.P.Q. 764, 767 (D.Vt. 1981) (exceptional case where defendant copied design of plaintiff's stoves "knowing that the copies would cause confusion and with an intent to benefit from the good will plaintiff had nurtured").

84. Bifold's deliberate and wilful copying of the distinctive trade dress of Versa with knowledge of Versa's prior rightful ownership and long use of the trade dress constitutes a wilful and wanton misappropriation of Versa's property and goodwill, thereby rendering this case "exceptional" and supporting an award of fees. This is particularly true in light of Bifold's efforts to copy the cast Versa B-316 valve. *See Ferrero*, 952 F.2d at 47; *Knorr-Nahrmittel*, 695 F.Supp. at 795; *Vermont Castings*, 215 U.S.P.Q. at 767.

85. Any Finding of Fact which should be deemed a Conclusion of Law is incorporated herein by reference.

CONCLUSION

For several decades Versa has sold valves with contoured lines and shaping which form a distinctive product appearance associated with Versa. Bifold has copied this trade dress. In determining whether it has carried its case, Versa must establish its trade dress is non-functional in its claim arising under section 43(a) of the Lanham Act. *American Greetings*, 807 F.2d at 1141 ("it must be shown that the feature or overall combination of features imitated is non-functional").

Although a finding that the trade dress has a function precludes protection of such trade dress, Versa has demonstrated its described trade dress is a unique, non-functional aspect of its product and serves to set its product apart from its competitors. Versa has demonstrated that the distinctiveness of its trade dress has served as a symbol of the origin of the valves it produces.

It is the total image of the Versa valve, which includes the size, the shape, the contours—the exterior appearance—which is sought to be protected from copying by Bifold. In comparing the cast Versa B-316 valve against the Bifold cast DOMINO JUNIOR valve, it is clear the overall impression conveyed by each is quite similar. The Bifold product is visually indistinguishable from the Versa product. As Bifold points out, however, upon close inspection subtle differences are revealed in millimeters with regard to measurements, the type of threads used in the ports and the weight of the Bifold product, which is thirty percent more than that of the Versa product. As indicated, these differences are not apparent from an eyeball inspection.

Versa did not seek to preempt the use of a casting to make a valve which would be competitive with it. Versa did not seek to preempt the manufacture and sale of bar stock valves, with or without actuators, in competition with it.[2] Versa seeks to protect the combination of exterior appearances it has

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[2] Because valves manufactured from bar stock take on the same general appearance (rectangular blocks), there is no trade dress to protect; the use of the same or similar actuators or indicators on bar stock valves does not infringe on trade dress.

designed into its cast B-316 valve which when taken together, create a distinctive visual impression. The features of the trade dress are arbitrary and do not serve any function other than to describe the product or show its origin. The appearance was selected arbitrarily. This was demonstrated at trial; other designs were shown to exist. As well, because of the additional metal in the Bifold cast DOMINO JUNIOR valve, Bifold had the ability to change the contours and shape of its DOMINO JUNIOR valve to contrast with rather than mimic the Versa B-316 in casting.

Versa also must demonstrate a likelihood of confusion in order to prevail in this matter. The elements that make up the likelihood of confusion include evidence of actual confusion, the intent in adopting the trade dress, the similarity of the trade dress, the similarity of the goods at isSue and the similarity of the marketing channels. *See Fuddruckers, Ins. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 845 (9th Cir. 1987). Clearly, evidence of actual confusion in the past is persuasive as to the question concerning whether future confusion is likely. In this case, Versa has demonstrated and established confusion resulted from the production of the cast DOMINO JUNIOR valve As well, a demonstration of intent to adopt a competitor's trade dress is entitled to significant weight with regard to likelihood of confusion because such conduct bespeaks a presumption that that was the purpose of the defendant. In point of fact, the evidence offered by Bifold did not establish their purpose was anything other than to copy the Versa trade dress and free ride the benefits of this trade dress. There is no doubt the two products are confusingly similar and this is by design.

Versa has demonstrated its trade dress is not only distinctive and non-functional but, as well, it has been associated with its valves for a significant period of time. The overall impression created by the Versa valve and the Bifold valve is essentially the same. Based upon the evidence presented, including the testimony of the various Versa witnesses concerning confusion between the products and the nearly identical products themselves, there is no doubt there has been confusion and there is a likelihood of confusion in the future.

As well, both Versa and Bifold target their sales efforts to the same markets. The facts that the products are similar, that the products compete in the same market and that Bifold had actual knowledge of Versa's trade dress prior to designing the Bifold DOMINO JUNIOR valve, all weigh in favor of finding confusion and the likelihood of confusion in the future.

While the purchasers involved in the off-shore wellhead market are sophisticated, there is no reason why Versa should not be able to maintain its competitive position developed through its product and identified through its trade dress and, as well, continue to seek wider identification of its products with potential new customers. *See Two Pesos*, U.S. ___ at ___, 112 S.Ct. at 2759, 120 L.Ed.2d at 625-26. The consideration of a likelihood of confusion should not be limited to merely the more sophisticated consumers in the off-shore wellhead market. There are other markets, which are available and apparently untapped, which contain unsophisticated consumers.

In determining Bifold's intent, not only is its knowledge of Versa's trade dress an appropriate consideration, but the resulting similarities between the Versa valve and the Bifold valve which are so striking also lead to the conclusion that it is hard to imagine how Bifold could have come up with the trade dress without intentionally copying the cast Bifold B-316 valve. "Intentional copying, of course, does not require identical copying." *Paddington*, 996 F.2d at 587.

When considering the prohibition of imitation by others, it is appropriate to determine whether such a prohibition will substantially hinder competition. *Merchant & Evans*, 963 F.2d at 635. Because there are other designs available, because the Bifold valve is thirty percent heavier and, therefore, has thirty percent more metal available to effect an alternate external appearance, and because the appearance of the cast Versa B-316 valve is nonfunctional, it is clear that prohibition of Bifold's copying the Versa product will not hinder competition. On the contrary, it will make competition more fair.

The basis of the law of unfair competition is an effort to prevent one manufacturer from selling goods in such a way as to make it appear or suggest the goods originate from another

source. *American-Marietta v. Krigsman*, 275 F.2d 287, 289 (2d Cir. 1960). Trade dress infringement is one form of unfair competition. The unfairness of the competition in this case is highlighted by the strength and longevity of the Versa trade dress, the similarity of appearance between the Versa and Bifold valves, the similarity of the method of marketing the valves, the similarity of the market and the intent of Bifold in how it has approached the design, production and marketing of its cast DOMINO JUNIOR valves. All of these considerations demonstrate Bifold intended to adopt Versa's trade dress.

While Versa cannot prevent its competition from using, for example, a particular color or feature, it can protect the use of a combination of visual elements that create its distinctive trade dress. *See Fuddruckers*, 826 F.2d at 842. In this instance, the distinctive appearance of the Versa cast B-316 valve serves as a symbol of the origin of the valve. It has been shown by more than a preponderance of the evidence that Versa's trade dress sets its products apart from those of other manufacturers and is neither descriptive nor functional.[3]

For the foregoing reasons, the relief requested by Versa in its Complaint will be granted, as set forth in an Order & Injunction accompanying this Opinion.

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[3] It is recognized, from several discussions with counsel to the parties, that this matter will not end with this decision. It was strongly suggested during informal conversations that the party which lost this matter would seek review on appeal. It is in this light that I offer the following observation concerning efforts to avoid confusion and prevent "palming off," as that term is used. Should it be determined the Findings of Fact are not supported by the record or the Findings of Fact do not support the Conclusions of Law or that the Conclusions of law are inappropriate and thus the injunction is inappropriate, an alternate albeit less efficacious course can be considered. A metal label can be attached to the Bifold cast DOMINO JUNIOR valve to read "made in England" and "not a Versa product." *See Keene*, 653 F.2d 822. While clearly less than that to which Versa is entitled, such labelling on the present form of the cast DOMINO JUNIOR valve is the least necessary to avoid confusion as to source and, to a limited extent, reduce trade dress infringement.

APPENDIX E

APPENDIX E

Second Circuit - Polaroid Factors

1. the strength of plaintiff's mark
2. the degree of similarity between the two marks
3. the proximity of the products
4. the likelihood that the prior owner will bridge the gap
5. actual confusion
6. defendant's good faith in adopting its own mark
7. the quality of defendant's product
8. the sophistication of the buyers

Merriam-Webster, Inc. v. Random House, Inc., 35 F.3d 65, 70 (2d Cir. 1994); *see*, *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961).

Third Circuit - Scott Factors

1. the degree of similarity between the owner's mark and the alleged infringing mark
2. the strength of the owner's mark
3. the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase
4. the length of time the defendant has used the mark without evidence of actual confusion arising
5. the intent of the defendant in adopting the mark
6. the evidence of actual confusion
7. whether the goods, though not in competition, are marketed through the same channels of trade and advertised through the same media

8. the extent to which the targets of the parties' sales efforts are the same

9. the relationship of the goods in the minds of the public because of similarity of function

10. other factors suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market

Ford Motor Co. v. Summit Prods. Inc., 930 F.2d 277, 297 (3d Cir.), *cert. denied*, 112 S.Ct. 373 (1991); *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978).

Fifth Circuit - Digits of Confusion

1. similarity of products

2. identity of retail outlets and purchasers

3. identity of advertising media

4. type (i.e., strength) of trademark or trade dress

5. defendant's intent

6. similarity of design

7. actual confusion

8. in addition it is often appropriate to consider the degree of care exercised by purchasers

Blue Bell Bio-Medical v. Cin-Bad Inc., 864 F.2d 1253, 1260 (5th Cir. 1989); *Sno-Wizard Mfg., Inc. v. Eisemann Products Co.*, 791 F.2d 423, 428 (5th Cir. 1986).

Sixth Circuit - Frisch Factors

1. the strength of plaintiff's mark

2. relatedness of the goods

3. similarity of the marks

4. evidence of actual confusion

5. marketing channels used

6. likely degree of purchaser care
7. defendant's intent in selecting the mark
8. likelihood of expansion of the product lines

Esercizio v. Roberts, 944 F.2d 1235 (6th Cir. 1991), *cert. denied*, ___ U.S. ___, 112 S.Ct. 3028, 120 L.Ed.2d 899 (1992); *see*, *Frisch's Restaurants, Inc. v. Elby's Big Boy*, 670 F.2d 642, 648 (6th Cir.), *cert. denied*, 459 U.S. 916, 103 S.Ct. 231, 74 L.Ed. 2d 182 (1982) (citing *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir. 1979)).

Seventh Circuit - Factors or "Digits"

1. similarity of the trade dresses
2. the products to which the trade dresses are attached
3. the area and manner of concurrent use
4. the degree of care likely to be exercised
5. the strength of plaintiff's trade dress
6. actual confusion
7. intent on the part of the alleged infringer to pass off the infringer's goods as those of the plaintiff

Badger Meter, Inc. v. Grinnell Corp., 13 F.3d 1145, 1152 (7th Cir. 1994); *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931, 937 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075, 110 S.Ct. 1124, 107 L.Ed. 2d 1030 (1990).

Ninth Circuit - Sleekcraft Factors

1. the strength of plaintiff's mark
2. similarity of the marks
3. evidence of actual confusion
4. marketing channels used
5. type of goods and likely degree of purchaser care
6. defendant's intent in selecting the mark

7. likelihood of expansion of the product lines

Qualitex Co. v. Jacobson Products Co. Inc., 13 F.3d 1297, 1305 (9th Cir. 1994); *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 616 (9th Cir. 1989); *Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512, 517 (9th Cir.), *cert. denied*, 493 U.S. 872, 110 S.Ct. 202, 107 L.Ed.2d 155 (1989); *see, AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir. 1979).

Tenth Circuit - Beer Nuts Factors

1. the degree of similarity between the designation and the trademark
2. the intent in the actor in adopting the designation
3. the relation in use and manner of marketing between the goods and services marketed by the actor and those marketed by the other
4. the degree of care likely to be exercised by purchasers

Payless Shoesource, Inc. v. Reebok International, Ltd., 998 F.2d 985, 988 (Fed. Cir. 1993); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 521 (10th Cir. 1987); *see, Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 940 (10th Cir. 1983) (quoting Restatement of Torts § 729 (1938).

Eleventh Circuit - Factors

1. similarity of the design
2. similarity of the products
3. identity of retail outlets and purchasers
4. similarity of advertising media used
5. the defendant's intent in adopting its trade dress
6. actual confusion

7. the degree of care purchasers are likely to exercise when selecting products of the type sold by the parties

8. the presence and prominence of the name on the defendant's products

Bauer Lamp Co., Inc. v. Shaffer, 941 F.2d 1165, 1171 (11th Cir. 1991).

APPENDIX F

APPENDIX F

UNITED STATES COURT OF APPEALS
EIGHTH CIRCUIT

No. 94-2618
Submitted: Dec. 12, 1994
Filed: Apr. 7, 1995

STUART HALL COMPANY, INC., a Missouri corporation

Appellant,

—v.—

AMPAD CORP., a Massachusetts corporation,

Appellee.

Appeal from the United States District Court for the Western District of Missouri.

Before: MAGILL and BEAM, *Circuit Judges,*
and PIERSOL,* *District Judge.*

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* The Honorable Lawrence L. Piersol, United States District Judge for the District of South Dakota, sitting by designation.

MAGILL, *Circuit Judge.*

Stuart Hall appeals the district court's denial of its motion for a preliminary injunction against Ampad in this trade dress action brought under Lanham Act § 43(a). Stuart Hall argues that the district court applied an unrecognized legal standard to determine whether its trade dress is inherent distinctive, and that the court failed to consider or to grant appropriate weight to the evidence presented on the other elements of the trade dress infringement standard. We reverse and remand.

I. BACKGROUND

Stuart Hall Company produces and markets a line of specialized pre-bound pa and notebooks designed for mass market sales under the names "Executive" and "Executive Suite." The products at issue in this appeal are the Executive Project Planner and Notebook and the Executive Suite Personal Notebook.

The products were designed to provide the calendars and specialized forms available in expensive personal organizer lines at a price comparable to that of an ordinary legal pad. They are generally displayed in the area of stores dedicated to legal pads, pads of graph paper, and other standard office supply items. Stuart Hall's specialized pads are packaged with a "false cover" that displays the design of the inside forms, differentiating the pads from ordinary lined pads. A substantial advertising and promotional budget is allocated to the Executive and Executive Suite lines: Stuart Hall has spent almost $1.7 million on advertising alone for the two lines. The advertisements and promotional displays feature the design of the products as an element that makes Stuart Hall pads different from other office supply pads. The Executive and Executive Suite products have been very successful in terms of sales volume.

The only other major company producing a mass-market personal planner for some time was Mead Corporation, whose Cambridge line of office supply products includes a Planner

Pad.[1] In the autumn of 1989, however, Ampad Corporation, another large-scale producer of office supply products, introduced its Gold Fibre and Gold Fibre Designer lines. The Gold Fibre line included Legal Pad, Project Planner and Personal Notebook; the Gold Fibre Designer line included a Project Planner. These items are in direct competition with Stuart Hall's Executive and Executive Suite products. As do the Stuart Hall pads, the Ampad pads include a false cover with a copy of the inside pages on the front. The graphics and text of the Ampad pages are almost identical to that of the Stuart Hall pages, and, according to the testimony of Ampad's president, we copied directly from Stuart Hall's design. Ampad successfully marketed its pads to Wal-Mart, which had previously been a major retailer of Stuart Hall pads, as a replacement for Stuart Hall products at a lower price.

Stuart Hall brought an action in the district court for a preliminary injunction against Ampad's sales of the Gold Fibre and Gold Fibre Designer pads, alleging trade dress infringement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1994). After a three-day hearing, the court denied the motion, finding that Stuart Hall had not shown a likelihood of success on the merits.[2]

In reaching this conclusion, the district court first stated the standard for a trade dress infringement recently confirmed by the Supreme Court: to obtain relief, plaintiff must show that (1) its trade dress is either inherently distinctive or has acquired secondary meaning; (2) that the trade dress is nonfunctional; and (3) that defendant's imitation of the trade dress "creates a likelihood of confusion in consumers' minds

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[1] Stuart Hall has never challenged Mead's products as infringing on the trade dress of Stuart Hall products.

[2] A preliminary injunction may be granted when the movant has demonstrated: (1) the threat of irreparable harm to it; (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties; (3) the probability that it will succeed, the merits; and (4) the public interest. Calvin Klein Cosmetics Corp. v. Lenox Lab., 815 F.2d 500, 503 (8th Cir. 1987) (citing Dataphase Sys. Inc. v. C L Sys., Inc., 640 F.2d 109, 113-14 (8th Cir. 1981) (en banc))

as to the origin of the services." Prufrock Ltd., Inc. v. Lasater, 781 F.2d 129, 132 (8th Cir. 1986); see Two Pesos, Inc. v. Taco Cabana, Inc., 112 S. Ct. 2753, 2758 (1992). The court proceeded to find that Stuart Hall was not likely to succeed on the merits on several grounds. The court found that the trade dress was not inherently distinctive because it was not "striking in appearance, or at least memorable," and found that the trade dress had not acquired a secondary meaning because there had been no showing that consumers would "think Stuart Hall" when seeing the trade dress. The court further found that the trade dress was "not purely functional," although it did not address functionality at length because its denial of Stuart Hall's motion rested on the finding that the trade dress was not inherently distinctive and had not acquired a secondary meaning. Finally, the court stated that it did not find Stuart Hall's consumer survey convincing. Because the survey was intended to show likelihood of confusion, this finding merged the likelihood of confusion prong of the three-part standard into the inherent distinctiveness analysis, making it unclear whether a finding was made as to likelihood of confusion.

II. DISCUSSION

The district court has broad discretion in deciding whether to grant or deny motion for preliminary relief, and we will reverse only for clear error, an error of law, or an abuse of discretion. Dakota Indus., Inc. v. Dakota Sportswear, Inc., 988 F.2d 61, 63 (8th Cir. 1993) (citing General Mills, Inc. v. Kellogg Co., 824 F.2d 622, 625 (8th Cir. 1987)). Whether each of the three prongs of the trade dress infringement standard is satisfied is a question of fact. Aromatique, Inc. v. Gold Seal, Inc., 28 F.3d 863, 868 (8th Cir. 1994).

Stuart Hall appeals the district court's denial of its motion for a preliminary injunction, arguing that: (1) the court erred as a matter of law in requiring that Stuart Hall show that its trade dress is "memorable or striking" to meet the inherently

distinctive standard; (2) the court erred as a matter of law in requiring that Stuart Hall show that consumers "think Stuart Hall" on seeing the products to meet the secondary meaning standard, and in failing to address additional evidence of secondary meaning; (3) the court erred in failing to provide a reason or cite evidence supporting its limited findings on functionality; and (4) the court was clearly erroneous when it completely discounted Stuart Hall's survey evidence designed to show likelihood of confusion. We address each of these issues in turn.

A. Inherent Distinctiveness

The district court stated that its judgment of the merits turned on the requirement of inherent distinctiveness, and found that Stuart Hall's trade dress was not inherently distinctive. The only test of inherent distinctiveness the district court applied was that "[t]he trade dress must . . . be striking in appearance, or at least memorable," noting examples of such striking and memorable items as "Durante's nose, Holmes' mustache, Chief Judge Arnold's bow ties and Congressman Leach's sweaters." Mem. and Order at 4 n. (May 23, 1994). The court treated this standard as a threshold test for acquired distinctiveness, because "it seems evident that a trade dress must have sufficient strength of visual impact to impress itself on the mind of a consumer, and thus be subject to recall when the consumer next enters the market" if the trade dress is to be "inherently distinctive in a manner to serve as a source-identifier." Id. A single unreported case from an Illinois district court was cited in support of this "striking or memorable" test. See Hanig & Co. v. Fisher & Co., No. 92 C 1779, 1994 WL 97758 (N.D. Ill. Mar. 24, 1993). The district court, applying this test, found that "it is entire unlikely that any ordinary consumer would be so fascinated with the inside page layout to remember it and associate it with a known or unknown source." Mem. and Order at 5-6 (May 23, 1994). Finally, the court rejected the widely-used test for inherent distinctiveness derived from Chevron

Chemical Co. v. Voluntary Purchasing Groups, Inc., 659 F.2d 695, 702 (5th Cir. Unit A Oct. 1981), cert. denied, 457 U.S. 1126 (1982), as not creating a "comprehensive and usable definition" of inherent distinctiveness, id., and rejected Stuart Hall's survey evidence as providing no showing of memorableness.

Stuart Hall argues that this "striking or memorable" test is contrary to established law in this circuit and in others, and we agree.

The Supreme Court recently resolved a split in the circuit courts, holding that when a trade dress is inherently distinctive, no additional showing of secondary meaning[3] is required for the trade dress to qualify for protection. Two Pasos, 112 S. Ct. at 2760. In Abercrombie & Fitch Co. v. Hunting World, Inc., Judge Friendly for the Second Circuit set forth a series of classifications for trademark protections: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary or fanciful, and held that if a mark is suggestive or arbitrary or fanciful, it is a registerable trademark. 537 F.2d 4, 9 (2d Cir. 1976). In Chevron, the Fifth Circuit applied Abercrombie classifications to trade dress, distinguishing between descriptive and arbitrary trademarks, and held that "if the features of the trade dress sought to be protected are arbitrary and serve no function either to describe the product or assist in its effective packaging, there is no reason to require a plaintiff to show consumer connotations associated with such arbitrarily selected features." 659 F.2d at 702. In Two Pesos, the Court set out the "classic" Abercrombie test and approved the Fifth Circuit's application of its Chevron test to the restaurant trade dress at issue; although Chevron does not set out each of the individual Abercrombie classifications, the Court stated that "[t]he Fifth Circuit was quite right in Chevron, and in this

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[3] Secondary meaning is sometimes referred to as "acquired distinctiveness," and is established when "the user of . . . a [trade] dress [has shown] that by long and exclusive use in the sale of the user's good the [dress] has become so associated in the public mind with such goods that the [dress] serves to identify the source of the goods and to distinguish them from those of others." Aromatique, 28 F.3d at 870.

case, to follow the Abercrombie classifications consistently and to inquire whether trade dress for which protection is claimed under § 43(a) is inherently distinctive." 112 S. Ct. at 2760.

The Court further noted that the Chevron test for inherent distinctiveness, or variations on it, is followed by the Seventh, Ninth and Eleventh Circuits as well as the Fifth. Id. The Lanham Act discusses secondary meaning only in the context of trademarks that are "merely descriptive" under the Abercrombie classifications, and because the bases for legal protection of trade dress are not analytically distinct from protection of trademarks, the Court found that requiring a showing of secondary meaning in addition to inherent distinctiveness for trade dress, when such a showing is not require for trademark protection, would be inconsistent with congressional intent. Id.

This circuit has consistently applied the Abercrombie classifications when addressing the inherent distinctiveness of unregistered trademarks: In Co-Rect Products v. Marvy! Advertising Photography, 780 F.2d 1324 (8th Cir. 1985), we followed Abercrombie, and held that if an unregistered trademark is arbitrary or fanciful, it is inherently distinctive and no showing of secondary meaning is required, id. at 1329. If it is suggestive, again no showing of secondary meaning is required. Id. If it is descriptive of the product itself, a showing of secondary meaning is required to obtain trade dress protection, and if it is generic, it will not be protected. Id.; see also Cellular Sales, Inc. v. MacKay, 942 F.2d 483 (8th Cir. 1991) (applying same test to trade name registered in Missouri as fictitious name, but unregistered as to trademark protection). This test is equally applicable to trade dress under § 43(a), because " § 43(a) provides no basis for distinguishing between trademark and trade dress." Two Pesos, 112 S. Ct. at 2760; see Aromatique, 28 F.3d at 868 ("The difference between trade dress and trademark is no longer of importance in determining whether trade dress protected by federal law.").

The classification of trade dress as arbitrary or fanciful or suggestive, thus inherently distinctive, requires no showing that the trade dress is memorable or striking. The distinction between suggestive and descriptive trademarks, and thus between inherently distinctive and nondistinctive trademarks, was delineated in Abercrombie: "A term is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of goods. A term is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods." Abercrombie, 537 F.2d at 11 (quoting Stix Prods., Inc. v. United Merchants & Mfrs., Inc., 295 F. Supp. 479, 488 (S.D.N.Y. 1968)). These definitions address the relation between the product and the trade dress, not the relation between the trade dress and the consumer. The question they present is whether, and how much, the trade dress is dictated by the nature the product, not whether consumers remember or are struck by the design, or whether consumers associate the design with its source. If the specific design of the trade dress is only tenuously connected with the nature of the product, then it is inherently distinctive, and secondary meaning, which requires a showing that consumers attach significance to the trade dress as a source-signifier, need not be proven. If the design of the trade dress is dictated by the nature of the product, then secondary meaning must be proven.

Abercrombie's emphasis on the relation of the product's trademark or trade dress to the product, rather than on the relation of the consumer to the product, is echoed in Two Pesos, where the Supreme Court stated that "[s]uggestive marks are eligible for protection without any proof of secondary meaning, since the connection between the mark and the source is presumed," 112 S. Ct. at 2759 (emphasis added) (quoting Thompson Med. Co. v. Pfizer Inc., 753 F.2d 208, 216 (2d Cir. 1985)), and quoted from the Fifth Circuit's "sound" disposition below:

> While the necessarily imperfect (and often prohibitively difficult) methods for assessing secondary

> meaning address the empirical question of current consumer association, the legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer recognition yet bestows the additional empirical protection of secondary meaning.

Id. at 2758 (emphasis added). Similarly, in Chevron, the Fifth Circuit stated that "there is no reason to require a plaintiff to show consumer connotations associated with" inherently distinctive trade dress. 659 F.2d at 702.

The district court ignored this presumption of source identification inherent in the classification-based tests for inherent distinctiveness when it applied a memorableness requirement to Stuart Hall's trade dress; the court justifies its memorableness requirement by stating that if consumers do not remember the trade dress, they will not later identify it with its source, but, as discussed in Two Pesos and Chevron, source-identification is presumed when trade dress is suggestive or arbitrary or fanciful. The analysis in these cases, as in Abercrombie, focuses on the connection between the trade dress and the product, not the trade dress and the consumer.

Another widely-adopted standard, based on the Abercrombie classifications, for identifying an inherently distinctive trade dress was crafted by the Court of Customs and Patent Appeals: "[i]n determining whether a design is arbitrary or distinctive this court has looked to whether it was a 'common' basic shape or design, whether it was unique or unusual in a particular field, [or] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods." Seabrook Foods, Inc. v. Bar-Well Foods Ltd., 568 F.2d 1342, 1344 (C.C.P.A. 1977); see 1 McCarthy, Trademarks and Unfair Competition § 8.02[4]. McCarthy describes this test as "ways to ask whether the design, shape or combination of elements is so unique, unusual or unexpected in this market that one

can assume without proof that it will automatically be perceived by customers as an indicia of origin." Id. (emphasis added). Thus, under the Seabrook test (also referred to as the Ambrit test, Ambrit, Inc. v. Kraft, Inc., 812 F.2d 1531, 1536 (11th Cir. 1986), cert. denied, 481 U.S. 1041 (1987)), as under the Chevron test, no proof of source-identification is required to show that trade dress is inherently distinctive. The Seabrook test focuses on a comparison of plaintiff's trade dress to others in the same class of goods, not on the trade dress's impact on consumers.

In summary, the Chevron and Abercrombie tests focus on the arbitrariness of the trade dress and its relevance to the product, whereas the Seabrook test focuses on a comparison of the trade dress with others in the same field. None of these tests in any combination examines the trade dress's impact on consumers. A particular trade dress can be arbitrary and different from others in the field, without being particularly "striking or memorable" in the sense in which the district court used these words.

The single relevant case the district court cited as support for its contention that to be inherently distinctive a trade dress must be striking or memorable is not only an unreported decision by an Illinois district court with no precedential value in this circuit, but also does not strongly support the district court's standard. See Hanig & Co. v. Fisher & Co., No. 92 C 1779, 1994 WL 97758 (N.D. Ill. Mar. 24, 1994). The Hanig court defined an inherently distinctive trade dress as "memorable enough for us to conclude that it would probably be retained in a viewer's mind and recognized when seen again," id. at 5, which does not demand a showing of memorableness in the sense of "striking" or "fascinating." Moreover, although the Hanig court stated a memorableness standard for inherent distinctiveness, it applied the Chevron test to the trade dress, and its analysis focused not on memorableness, but on the arbitrariness of the features at issue. Id. at 6.

The requirement of source-identification applies not to whether a trade dress is inherently distinctive, but to whether

it has a secondary meaning. The three widely-applied tests for inherent distinctiveness, none of which were applied by the district court, focus not on the trade dress's impact on consumers, but on the relation between plaintiff's trade dress and his product or plaintiff's trade dress and other trade dresses in the same field. The district court thus focused on the wrong aspect of the trade dress in finding that it was not inherently distinctive because it was not memorable. By replacing the Abercrombie test for inherent distinctiveness with a version of the test for secondary meaning, the court effectively ruled only on secondary meaning, never addressing the substance of Stuart Hall's inherent distinctiveness claim.

Ampad nevertheless argues that the Third Circuit's recent decision, Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd., 40 F.3d 1431 (3d Cir. 1994), supports the district court's test, and that we should accept the striking memorable test on the basis of Duraco.

In the wake of Two Pesos, which overruled the Third Circuit's previous requirement that trade dress must always have secondary meaning to be protected, the Third Circuit crafted a new test for inherent distinctiveness applicable to trade dress comprising product features or shape as opposed to packaging. Rejecting the Abercrombie test as inappropriate for "product configuration" trade dress the court held that, to be inherently distinctive, product configuration must be: (1) unusual and memorable; (2) conceptually separable from the product; and (3) likely to serve primarily as a designator of origin of the product. Id. at 1434. We decline to adopt the Third Circuit's standard.

Stating that Two Pesos did not address the question of whether product configuration, as opposed to packaging, can ever be inherently distinctive, the Duraco court decided that configuration could be inherently distinctive, but that the existing tests for inherent distinctiveness should apply only to packaging. See id. at 1440. We, however, read Two Pesos as resting on a presumption that "trade dress" is a single concept that encompasses both product configuration and pack-

aging, and find that its holding applies to trade dress as a whole, not merely to packaging. Two Pesos concerned the trade dress of a Mexican restaurant: The trade dress at issue was the restaurant's decor. The Duraco opinion views a restaurant's decor as more like packaging than product configuration, and finds that therefore Two Pesos bears no implications regarding product configuration. Id. at 1442. We perceive a restaurant's decor as being as akin to product configuration than to packaging. A restaurant is composed of a room containing furnishings appropriate to dining in which food is served. The room and its furnishings are not packaging, which is separate from a product and to be thrown away once the product is removed from its packaging, but are part of the restaurant experience itself—the product itself is the room and its furnishings as well as whatever food is served. Thus, we view Two Pesos as a case that involves product configuration, and, although the Court did not review the finding below of inherent distinctiveness, its holding leads directly to the conclusion that product configuration, like packaging, can be inherently distinctive, and if it is, no showing of secondary meaning is required.

Further, restaurant decor is an ideal illustration of the fact that there is no distinct line between packaging and product configuration; some trade dresses, like restaurant decor, will be somewhere in between or perhaps could be seen as both and to create a distinction between the two artificially treats things that are alike differently. The language the Supreme Court used in Two Pesos suggests a similar view. Neither the term "packaging" nor the term "product configuration" is used in Two Pesos: the term used is "trade dress," and both trademarks and trade dress are defined as "a verbal or symbolic mark or the features of a product design." Two Pesos, 112 S. Ct. at 2759 (emphasis added). Further, the Court stated that "[s]uggestions that under the Fifth Circuit's law, the initial user of any shape or design would cut off competition from products of like design and shape are not persuasive." Id. at 2760 (emphasis added). Clearly, the Court envisions

trade dress as including product features, design and shape, and intends its holding to apply to such trade dress. Therefore, we decline to create a distinction between protection of packaging and protection of product configuration, as such a distinction would run contrary to the intent of the Supreme Court as expressed in Two Pesos.

In addition, the Supreme Court approved the Abercrombie and Chevron tests for inherent distinctiveness in Two Pesos. See id. at 2760. This circuit has followed Abercrombie in the past, and, in light of Two Pesos' approval, we see no reason to abandon the classic test now. A new test based on source-identification and memorableness would bear a very close resemblance to the standard for secondary meaning: A showing of secondary meaning requires empirical proof of consumer recognition and identification, but the new test would amount merely to a shift from actual consumer recognition to likely consumer recognition. See Duraco, 40 F.3d at 1450. Thus, a new test would undermine Two Pesos by requiring that, in order to be inherently distinctive, a trade dress be shown to meet a version of the secondary meaning test with a less burden of production.

The Third Circuit suggests that, because Abercrombie examines the relation between the trade dress and the product, it cannot apply to product configuration because the trade dress then is the product. Id. at 1440-41. We do not perceive this difficulty with Abercrombie because a product's trade dress is not the entire product itself, but specific features of the product; we find no difficulty in looking at a specific feature of a product and determining whether and to what degree that feature is dictated by the nature of the product.

Finally, the district court criticized Stuart Hall's survey as not adequate show memorableness. Because source-identification and consumer recognition need not be proven to determine whether a trade dress is inherently distinctive, the quality of the survey is not pertinent to this issue.

We find that the district court erred as a matter of law by requiring that Stuart Hall's trade dress be striking, or at least

memorable, to be inherent: distinctive. This requirement is inconsistent with the established law of this circuit, the majority of other circuits, and the Supreme Court, and we confirm our adherence to the Abercrombie test for inherent distinctiveness of unregistered trademarks, including trade dress, as applied in our previous decisions. See, e.g., Co-Rect, 780 F.2d at 1324.

B. Secondary Meaning

The district court discussed secondary meaning only briefly, but nevertheless found that Stuart Hall had not shown that its trade dress had a secondary meaning:

> There is no showing that plaintiff's alleged trade dress . . . has acquired secondary meaning, so that any perceptible segment of the Wal-Mart consuming public would think "Stuart Hall" when seeing either the pads as a whole or the inside pages in particular. Plaintiff has introduced evidence of advertising but there is no evidence that the advertising has impressed any part of the consuming public in the manner necessary to find secondary meaning.

Mem. and Order at 4 (May 23, 1994).

Stuart Hall argues first that requiring that consumers "think Stuart Hall" when seeing the pads was an error of law, and second that the district court erred in finding that there was no showing of secondary meaning.

It is well settled that secondary meaning, or "acquired distinctiveness," requires that "the user of . . . a [trade] dress . . . show that by long and exclusive use in the sale of the user's goods, the [dress] has become so associated in the public mind with such goods that the [dress] serves to identify the source of the goods and to distinguish them from those of others." Aromatique, 28 F.3d at 870; see Co-Rect, 780 F.2d at 1330. "[T]he ultimate inquiry is whether in the consumer's mind the mark denotes a 'single thing coming from a single source.' " Co-Rect, 780 F.2d at 1330 (internal quotations

omitted). That single source, however, need not be known by name by consumers. See Two Pesos, 112 S. Ct at 2757; Centaur Communications v. A/S/M Communications, 830 F.2d 1217, 1221 (2d Cir. 1987). The court's phrase "think Stuart Hall" is ambiguous: It may imply a requirement that consumers think of the specific brand name of the trade dress, although it may merely be a careless locution not intended to imply such.a requirement. We remind the district court that Stuart Hall need not show that consumers know their name; the showing required is that consumers associate the trade dress with a single source.

The district court relied entirely on its finding that consumers do not "think Stuart Hall" in deciding that the trade dress had not acquired secondary meaning. There are, however, a range of factors that can contribute to a determination of secondary meaning including consumer surveys, deliberate copying of the mark, advertising featuring the trade dress at issue, expenditure on such advertising, and anecdotal evidence showing consumer identification of the trade dress with its source. See Aromatique, 28 F.3d at 870. The district court did not examine any of these factors in making its determination regarding secondary meaning, although evidence on each factor was presented.

In particular, Stuart Hall presented survey evidence that may pertain to a showing of secondary meaning. See Cellular Sales, 942 F.2d at 486 (survey showing that public has associated a trade dress with the source may support claim of secondary meaning). The district court discussed the survey in the context of inherent distinctiveness, where survey evidence is not relevant. Stuart Hall's survey is relevant to likelihood of confusion, discussed in part D, infra, and the court should also examine whether the survey evidence contributes to a showing of secondary meaning.

Stuart Hall also argues that its continuous and exclusive use of the trade dress for approximately five years creates an inference of secondary meaning. 12 U.S.C. § 1052(f) states that the trademark commissioner may accept proof of five

years' exclusive and continuous use of a mark as prima facie evidence of secondary meaning. This suggests that five years' use is a strong factor in favor of secondary meaning: "[T]he general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)." Two Pesos, 112 S. Ct. at 2757. Although "no absolute time span can be posited as a yardstick in cases involving secondary meaning," Centaur Communications, 830 F.2d at 1225, length and exclusivity of continuous use is a factor bearing on secondary meaning, id. at 1222. Stuart Hall's exclusive and continuous use of its trade dress for the period of time that creates a statutory presumption of secondary meaning for trademark registration weighs in favor of a finding of secondary meaning, and the district court, on remand, should consider this factor in addition to the other factors bearing on secondary meaning.

C. Functionality

> The only finding the district court made as to functionality was that: although defendant has a persuasive contention that the page layout may be characterized as 75% to 90% functional in nature, and that the nonfunctional feature was more of a sales device than a source-identifier, I am not sufficiently satisfied with my grasp of functionality law to make the case turn his point. The alleged trade dress is not purely functional.

Mem. and Order at 4 (May 23, 1994).

Ampad argues that forms designed to record rather than convey information cannot be protected by copyright or trade dress because they are intrinsically functional. Although the strictly functional aspects of forms are not protected, nonfunctional design elements may be. Ampad rather disingenuously cites John H. Harland Co. v. Clarke Checks, Inc., where, although the lines on a check stub for recording the date, amount, payee, and purpose of a check were held to be

functional, the court also held that "[a] reasonable jury could conclude, however, that some features of the trade dress of Harland's product—such as the decorative box around the lines for recording information on the stub, and the design and color of the carry-around case—are primarily nonfunctional." 711 F.2d 966, 983-84 (11th Cir. 1983). We recently explained the distinction between functional and nonfunctional elements of trade dress, applicable to the trade dress of forms as to other products:

> If the particular feature is an important ingredient in the commercial success of the product, the interests in free competition permits [sic] its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demand in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.

Aromatique, 28 F.3d at 873 (quoting Prufrock Ltd. v. Lasater, 781 F.2d 129, 133 (8th Cir. 1986)). Therefore, we remind the district court, if it reaches the issue of nonfunctionality on remand, that individual format and design elements of Stuart Hall's planner pages may be primarily nonfunctional under the standard explained in Aromatique, even if such elements as lines on which to write appointments throughout the day are not.

D. Likelihood of Confusion

The district court characterized the survey commissioned by Stuart Hall regarding the likelihood of confusion between its product and Ampad's as "misleading," and accorded it no weight regarding inherent distinctiveness or likelihood of

confusion.[4] As we state supra, the survey is not relevant to the issue of inherent distinctiveness.

In Mutual of Omaha Insurance Co. v. Novak, this court held that surveys are an appropriate form in which to produce evidence of actual confusion. 836 F.2d 397, 400 (8th Cir. 1987), cert. denied, 488 U.S. 933 (1988). The court went on to say that "[b]ecause manifestations of actual confusion serve as strong evidence of a likelihood of confusion, and may, in fact, be the best such evidence, this survey should be given substantial weight unless seriously flawed." Id. at 400 (internal citations omitted); see also Woodsmith Pub. Co. v. Meredith Corp., 904 F.2d 1244, 1249 (8th Cir. 1990) (stating that, although not required to show likelihood of confusion, surveys are probably the most accurate evidence of actual confusion).

The district court's complaints about the survey are not particularly significant, nor do they necessarily address actual flaws in the survey as performed. The court stated that it would have preferred a survey designed to enforce only casual and limited attention to the products and a time-delayed resurvey. The more limited and casual the attention to the products, however, the more likely consumers are to indicate confusion between them. The court verified this hypothesis itself when it also complained that some people surveyed may have been so casual that elements not at issue in the case may have been enough to cause an inference of identical source. The court is splitting hairs here: it would prefer a survey of people who are casual, but not too casual. The court also expressed concern that some people surveyed may have skewed their answers due to their views on political economy, but the testimony of John Bunge, Stuart Hall's survey expert, indicated that not only were the people surveyed not told that the survey concerned issues of trade dress

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[4] It is not clear from the district court's memorandum and order whether it made any finding on the likelihood of confusion element. We presume, given the court's treatment of the survey, that if there was a finding, it was that there was no likelihood of confusion.

protection and thus potentially market competition, the interviewers and their employers were also not told for the specific purpose of avoiding such bias.

No evidence was presented to indicate that the survey was flawed. Stuart Hall's expert testified that he had performed approximately 200 trademark-related consumer surveys with his current company, and had performed over 1,000 consumer surveys throughout his marketing career. His testimony indicates strict adherence to and extensive knowledge of standard methodology for trademark-related consumer surveys, and attention to the requirements of trademark law when designing surveys in general and this survey in particular. The testimony of Ampad's expert is, as the district court itself points out, unimpressive, and does nothing to indicate the presence of real flaws in the survey.

On remand, the district court must reconsider the evidence provided by the survey on the likelihood of confusion between Stuart Hall and Ampad products if it finds that Stuart Hall has shown that its trade dress is inherently distinctive or has secondary meaning and that it is primarily nonfunctional.

III. CONCLUSION

We reverse the district court's denial of Stuart Hall's motion for a preliminary injunction because the court erred in applying a novel and unrecognized test for inherent distinctiveness, failed to consider the factors that can properly support a finding of secondary meaning, failed to make a complete finding on nonfunctionality, and accorded no weight to Stuart Hall's survey on likelihood of confusion. We remand the case to the district court for reconsideration of Stuart Hall's motion for preliminary relief analyzing Stuart Hall's likelihood of success on the merits in accordance with the law as outlined in this opinion.

APPENDIX G

APPENDIX G

* * *

[397] Q In your opinion and based on your experience, Mr. Murphy, are field personnel or service personnel likely to be confused by the appearance of the Bifold Domino Junior cast product you see before you as compared with the appearance of the Versa B-316 cast product you see before you?

A Yes, I think in the field if you had two of them on the shelf, they wouldn't bother to look at any name plates, they'd grab one. They would be confused.

Q And what would be the consequences, potentially, of replacing one with the other?

A It could be catastrophic.

Q And what do you mean by that?

[398] A It could cause a failure. It could reduce a system to the point that it's not safe and it wouldn't function. This would in turn cause the loss of life, the loss of property and pollution.

MR. J. CAMPISI: I have no further questions.

THE COURT: This might be a good time to take a morning break.

(Recess.)

* * *

[441] Q In your opinion, Mr. Murphy, what are the consequences of replacing a Versa B-316 cast valve with a Bifold Domino Junior cast valve in an existing control panel?

A In a control panel, we look at the reliability of the valve and various other features. Even without knowing the manufacturing quality control, the flow rate through the valve, I would have a problem using a Domino Junior valve.

I think the consequences of using it could be catastrophic.

Q And why do you say that?

A Well, in the industry, we try to make the system failsafe. The whole principle of automation and control hinges around this system shutting in when it's required.

The valve that goes down in the hole cost thousands and [442] thousands of dollars to install. If that valve is a failsafe valve, it must close. If anything happens on the surface to prevent the bleeding of that hydraulic fluid, then the valve would not close.

In the industry, we're not worried—I mean we're not only concerned with a valve's open position or a valve's closed position. We are concerned about how does the valve itself fail, what are its potential mode?

A malfunction could be in our system a valve that fails to go close but is still connected to our source. A catastrophic failure in a system would be if the valve center position or the block is bleeding of the valve, allows you to reach a position in the valve that it isolates the control panel from that down hole valve, the bleeding of that pressure.

In reading the information about the Bifold Junior valve, they advertise it as an advantage to have a block before bleed function. Versa has block before bleed functions as well. We have used them. In one panel we might use a block before bleed for certain circuits, but we would never connect a valve like this.

Q Which one is that?

A Excuse me. A manually-operated valve that is directly operating the subsea valve, down hole valve. We would never connect a valve like this through a system with a block and bleed valve because it has a failure mode in the center where [443] all ports are blocked. We can't tolerate that.

If that was to happen, the failsafe hydraulic interface, which is a failsafe double poppet valve that uses air pressure to override the hydraulic pressure, if, for some reason, the air isn't bled off the top of that, if it's locked up because of a center block position, block before bleed valve, our whole system is disconnected from the real world. All the sensors coming in cannot shut it down. It's a failure mode we cannot tolerate.

This valve installed wrongly in place of a Versa valve—and I'm saying this valve, the Bifold—could cause a catastrophic failure and cause loss of life, pollution, et cetera.

Q And is that—

A It's dangerous.

Q And is that because the Versa non-block before bleed valve would be replaced with a Bifold block before bleed valve?

A Well, the Versa valve has a center open position. If we were using it in that application, we would certainly use the center open.

If you replace it with a Bifold, which is advertised as advantage, it has to block before bleed, if you replace that, it could cause a failure,

Now, if they designed this valve for the typical application intended, they didn't talk to the right people **[444]** because they wouldn't put that feature. If they're selling it to wellhead manufacturers, they better change the spool. That's all I'm saying.

MR. J. CAMPISI: No further questions.

* * *

No. 94-1863

Supreme Court, U.S.
FILED
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

VERSA PRODUCTS COMPANY, INC.,

Petitioner,

—v.—

BIFOLD COMPANY (MANUFACTURING) LTD.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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PARTIES TO THE PROCEEDING

The parties named in the caption are the only parties to this action.

Pursuant to Supreme Court Rule 29.1, rspondent Bifold Company (Manufacturing) Ltd. states that it has no parent or subsidiary companies.

TABLE OF CONTENTS

		Page
I.	STATEMENT OF CASE.....	2
II.	SUMMARY OF ARGUMENT.....	10
	A. There Is No Conflict Arising From The Third Circuit's Decision Here	10
	B. There Is No Conflict Respecting The Issue Of Likelihood Of Confusion	11
III.	ARGUMENT - REASONS FOR DENYING THE WRIT.....	12
	A. There Is No Conflict Between The Third Circuit's Decision Here And Prior Decisions Of This Court And Other Circuit Courts.....	12
	B. There Is No Conflict Among The Circuit Courts On The Application Of Factors Used To Find Likelihood Of Confusion.....	15
IV.	CONCLUSION.....	25

Appendix

TABLE OF AUTHORITIES

Page

Cases

Badger Meter v. Grinnell Corp., 13 F.3d 1145 (7th Cir. 1994).....18

Bauer Lamp Co., Inc. v. Shaffer, 941 F.2d 1165 (11th Cir. 1991).....19

Blue Bell Bio-Medical v. Cin-bad, Inc., 864 F.2d 1253 (5th Cir. 1989).....21

Bose Corp. v. Linear Design Labs, Inc., 467 F.2d 304 (2d Cir. 1972).....22

Brunswick Corp. v. Spinit Reel Co., 832 F.2d 513 (10th Cir. 1987).....19

Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd., 40 F.3d 1431 (3rd Cir. 1994).....10, 11, 12, 13

Esercizio v. Roberts, 944 F.2d 1235 (6th Cir. 1991) cert. denied, 112 S.Ct. 3028 (1992).....18

Fisher Stoves, Inc. v. All Nighter Stove Works, 626 F.2d 193 (1st Cir. 1980).....22

Fisons Horticultural, Inc. v. Vigoro Industries, Inc., 30 F.3d 466 (3d Cir. 1994).....17

TABLE OF AUTHORITIES - Continued

Page

General Mills, Inc. v. Kellogg Co., 824 F.2d 622 (8th Cir. 1987)....22

Interpart Corp. v. Italia, 777 F.2d 678 (Fed. Cir. 1985).....23

L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117 (Fed. Cir. 1993), cert. denied, 114 S.Ct. 291 (1993).....22

Merriam-Webster, Inc. v. Random House, Inc., 35 F.3d 65 (2d Cir. 1994), cert. denied, 115 S.Ct. 1252 (1995).....16

Payless Shoesource, Inc. v. Reebok International Ltd., 998 F.2d 985 (10th Cir. 1993).....18

Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir. 1961), cert. denied, 82 S.Ct. 36 (1961).....16

Qualitex Co. v. Jacobson Products Co., Inc., 13 F.3d 1297 (9th Cir. 1994), rev'd on other grounds, 115 S.Ct. 1300 (1995).....18

Scott Paper Co. v. Scott's Liquid Gold Inc., 589 F.2d 1225 (3d Cir. 1978).....8

Sno-Wizard Mfg., Inc. v. Eisemann Products Co., 791 F.2d 423(5th Cir. 1986).....18, 21

TABLE OF AUTHORITIES - Continued

Page

Stuart Hall Co., Inc. v. Ampad Corp., 51 F.3d 780 (8th Cir. 1995).....10, 11, 12, 13, 14

Thompson Medical Co., Inc. v. Pfizer, Inc., 753 F.2d 208 (2d Cir. 1985).....17

Two Pesos, Inc. v. Taco Cabana, Inc., 112 S.Ct. 2753 (1992).....10, 11, 12, 13, 14

Authorities

Statutes and Rules

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (West Supp. 1994).....15

Other Authorities

Restatement of Torts §§ 728-731 (1938).....15

Restatement of (Third) Unfair Competition (1993) § 20 Cmt. h.....23

In The

SUPREME COURT OF THE UNITED STATES

October Term, 1994

No. 94-1863

VERSA PRODUCTS COMPANY, INC.,

Petitioner,

v.

BIFOLD COMPANY (MANUFACTURING) LTD.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court of Appeals For The Third Circuit

---

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Bifold Company (Manufacturing) Ltd. hereby responds to the petition in this case for a writ of certiorari to review the judgment of the United States Court of Appeals for the Third Circuit.

I. STATEMENT OF CASE

In 1985, Bifold Company (Manufacturing) Ltd. ("Bifold") designed and introduced its DOMINO series of modular control valves. The valves were made by machining stainless steel bars. Later, the valves were made by casting, after sales warranted an investment in casting molds. The cast version of the valve is functionally identical to the bar stock version but differs in shape and weight. The differences result from the elimination of excess metal so that the shape or configuration of the valve conforms to the functional requirements of the valve, as is standard with industrial valves or other industrial components. As a consequence of its functional characteristics, Bifold's DOMINO valves bear a resemblance to the V-316 valves of Petitioner Versa Products Company ("Versa"). Versa made no

complaint respecting Bifold's DOMINO cast valves.

In 1993, Bifold introduced its smaller DOMINO JR. series of valves. Once again, Bifold followed the procedure of first making the valves by machining bar stock and later by casting. It was not until Bifold introduced the cast DOMINO JR. valve, that Versa commenced this action. Although it has no patent or copyright in the designs of its valves, Versa claimed that the configuration of the DOMINO JR. valve infringed the trade dress rights that Versa purportedly has in the configuration of its comparable B-316 valve.

Bifold's DOMINO JR. valve competes with Versa's B-316 valve. Both valves are designed for use in the confined space of control panels on offshore oil drilling platforms. All the individual

features of the configurations of both Versa's B-316 and Bifold's DOMINO JR. valves are dictated by function. There are, however, differences in function, size and in the shape of the respective valves. ... The valves are not interchangeable on the same custom-made control panels. (Pet'r App. at 9a.)[1] The petitioner is incorrect in claiming that the "DOMINO JR. was made to be a replacement part for the Versa B-316 valve...." (Pet'r. Br. at 24.)

These industrial valves are selected and purchased by the manufacturers of control panels. The valves are selected based upon the function of the valves using schematic diagrams which do not

---

[1] References to Petitioner's Appendix and Brief are in the forms "(Pet'r App. at _)" and "(Pet'r Br. at _)", respectively. References to Respondent's Appendix are in the form "(Resp't App. _)".

show the configuration of the valves. Each functional type of control valve is identified by a multi-digit part number. Buyers do not rely on the appearance of the valve in selecting it. (Pet'r App. at 37a.) Versa and Bifold use different numbering systems for their respective valves.

Bifold clearly labels its DOMINO JR. valves so its name appears very prominently twice on each valve. The BIFOLD name is cast into every DOMINO JR. valve body. In addition, a metal label is bolted onto every DOMINO JR. valve body and bears the BIFOLD name, city and country of origin, Bifold's telephone and fax numbers, and a part number and serial number. (Resp't App. at 1a.)

Notwithstanding its finding that each of the design features of Versa's B-316 valve is functional, the District Court found that the overall

configuration of the B-316 valve is nonfunctional. (Pet'r App. at 13a-14a.) The District Court also found the configuration of the B-316 valve to be distinctive, even though Versa had never asserted trademark rights in the configuration or sought to register it. The District Court also found a likelihood of confusion.

The District Court's Order and Injunction permanently enjoined Bifold from selling its cast version of the DOMINO JR. valve. In its Opinion, signaling its eventual reversal by the Third Circuit and its lack of conviction in its own finding of likelihood of confusion, the District Court stated,

> Should it be determined the Findings of Fact do not support the Conclusions of Law or that the Conclusions of Law are inappropriate and thus the injunction is inappropriate, an alternate albeit less efficacious course can be considered. A

> metal label can be attached to the Bifold cast DOMINO JUNIOR valve to read "made in England" and "not a Versa product." While clearly less than that to which Versa is entitled, such labeling on the present form of the cast DOMINO JUNIOR valve is the least necessary to avoid confusion as to source and, to a limited extent, reduce trade dress infringement.

(Pet'r App. at 137a (citation omitted).)

On appeal, the Third Circuit reversed and vacated the injunction. The Third Circuit did not address the lower court's findings on functionality and distinctiveness. (Pet'r App. at 5a.)

The Court of Appeals decided the appeal solely on the likelihood of confusion issue. It concluded that the lowered standard of a "possibility of confusion" employed by the District Court was erroneous and that the finding of likelihood of confusion was clearly erroneous. (Pet'r App. at 50a.) The

Third Circuit found fault with the District Court's application of factors used by the District Court in determining that issue. Those factors are sometimes called the Scott factors. (Pet'r App. at 21a.) See also Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225, 1229 (3d Cir. 1978) (for a list of the ten Scott factors). Specifically, the Third Circuit found that the District Court did not give sufficient weight to the purchasing process, the sophistication of the consumers, and Bifold's clear labeling of its DOMINO JR. valve. (Pet'r App. at 45a.) Moreover, the Third Circuit concluded that the District Court afforded too much weight, on the facts of this trade dress product configuration case, to the similarity of the configurations and the strength of Versa's configuration and misconstrued the nature of the intent appropriate to a

trade dress product configuration case. In reviewing the finding of facts, the Third Circuit did so within the parameters of the Scott factors as applied to the peculiar facts in this case, and, accordingly, did so in concert with the principles of all the other Circuits.

THE PETITION FOR A WRIT OF CERTIORARI SHOULD BE DENIED

II. SUMMARY OF ARGUMENT

There is no sound reason for reviewing the decision of the Court of Appeals for the Third Circuit. There is no conflict among the circuit courts on issues of trade dress protection. The petition for writ of certiorari should be denied.

A. There Is No Conflict Arising From The Third Circuit's Decision Here.

Petitioner alleges a conflict that does not exist between the Third Circuit in this case and both this Court's ruling in Two Pesos, Inc. v. Taco Cabana, Inc., 112 S.Ct. 2753 (1992), and the Eighth Circuit's ruling in Stuart Hall Co. v. Ampad Corp., 51 F.3d 780 (8th Cir. 1995).

A full review of Stuart Hall reveals that any asserted conflict is with Duraco Products, Inc. v. Joy Plastic

Enterprises, Ltd., 40 F.3d 1431 (3d Cir. 1994) and not with this case. This Court should decline to render an advisory opinion on whether the test adopted in Duraco conflicts with this Court's ruling in Two Pesos and the Eighth Circuit's ruling in Stuart Hall.

B. There Is No Conflict Respecting The Issue Of Likelihood Of Confusion.

All circuit courts including the Third Circuit, have enumerated factors to be considered in determining whether likelihood of confusion exists in a trademark or trade dress infringement case. The circuit courts, the Third Circuit among them, have emphasized, deemphasized, discarded or added factors to give proper evidentiary weight to particular facts. This flexible approach is consistently used by all United States circuit courts.

III. ARGUMENT - REASONS FOR DENYING THE WRIT

A. There Is No Conflict Between The Third Circuit's Decision Here And Prior Decisions Of This Court And Other Circuit Courts.

Petitioner urges a review of the Third Circuit's decision in this case based upon an alleged conflict between the Third Circuit and both this Court's ruling in Two Pesos, and the Eighth Circuit's ruling in Stuart Hall, on the issue of inherent distinctiveness of trade dress. (Pet'r Br. at 10-11.) However, that issue was not addressed by the Third Circuit here, so there is no conflict. Accordingly, the petition on this issue should be rejected.

If any conflict exists on the issue of inherent distinctiveness, it is with the Third Circuit's decision in Duraco, not with the Third Circuit's ruling in this case. Petitioner quotes at page 11

of its brief from Stuart Hall to the effect that the Third Circuit does not follow this Court's ruling in Two Pesos. A full review of Stuart Hall reveals that any asserted conflict is with Duraco and not with this case. (Pet'r App. at 156a.)

Petitioner seeks an advisory opinion that the Third Circuit in Duraco allegedly adopted a test for inherent distinctiveness that is at odds with this Court's ruling in Two Pesos and the Eighth Circuit's ruling in Stuart Hall. This Court should decline to render any advisory opinion.

Indeed, there is no substantive conflict between Stuart Hall and Duraco. Stuart Hall was a trade dress packaging case while Duraco was a trade dress product configuration case. This resulted in somewhat different terminology to express the same standard.

The Eighth Circuit test for distinctiveness in packaging trade dress requires that it be at least "suggestive", that is, possesses a quality or feature recognizable beyond descriptiveness, presumably to an ordinary purchaser. The Third Circuit used substantively the same test expressed differently.

The Third Circuit, rather than requiring a showing of secondary meaning, required an additional quality or feature that can serve as a source indicator. No additional requirement is imposed by the Third Circuit. There is no material conflict with the Eighth Circuit. There is no variance from this Court's requirement in Two Pesos that trade dress, whether packaging, restaurant decor or product configuration, can be found to be inherently distinctive.

B. There Is No Conflict Among The Circuit Courts On The Application Of Factors Used To Find Likelihood of Confusion.

All circuit courts, including the Third Circuit, have enumerated certain factors to be considered in determining whether likelihood of confusion exists in an action brought under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (West Supp. 1994). Although each of the Circuits has adopted its own list of factors, the various lists of factors are similar. All have their origin in the Restatement of Torts §§ 728-731 (1938). In the Third Circuit, those factors are referred to as the Scott factors and, with only minor variations, they are the same factors employed by other Circuits. (Pet'r App. at 139a-143a.)

In an effort to manufacture a conflict where one does not exist, petitioner asserts that the Circuit Court

has abandoned the "traditional" Scott factors and employed a "new method" for product configuration trade dress cases. However, the Third Circuit has employed the Scott factors in the same manner that the other circuit courts use their respective criteria to determine whether likelihood of confusion exists.

It is universally recognized among the Circuits that the eight or so factors identified are not exhaustive. See e.g., Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492, 495 (2d Cir. 1961), cert. denied, 82 S.Ct. 36 (1961). Even petitioner admits as much. (Pet'r Br. at 13.) The facts of each case determine the weight to be given to each factor and even whether a particular factor or factors should be employed. See Merriam-Webster, Inc. v. Random House, Inc., 35 F.3d 65, 70 (2d Cir. 1994) ("As we recently noted, the list of Polaroid

factors is not exclusive and the analysis of the factors is 'not a mechanical process.' The Polaroid factors are 'merely tools designed to help grapple with the 'vexing' problem of resolving the likelihood of confusion issue.'"(citation omitted)), cert. denied, 115 S.Ct. 1252 (1995); Thompson Medical Co., Inc. v. Pfizer, Inc., 753 F.2d 208, 214 (2d Cir. 1985) ("No single Polaroid factor is pre-eminent, nor can the presence or absence of one without analysis of the others, determine the outcome of an infringement suit."); Fisons Horticultural, Inc. v. Vigoro Industries, Inc., 30 F.3d 466, 476 n.11 (3d Cir. 1994) ("This is not to say that all factors must be given equal weight. The weight given to each factor in the overall picture, as well as its weighing for plaintiff or defendant, must be done on an individual fact-specific basis.");

Sno-Wizard Mfg., Inc. v. Eisemann Products Co., 791 F.2d 423, 428 (5th Cir. 1986) ("we look to a variety of factors..."); Esercizio v. Roberts, 944 F.2d 1235, 1241-1242 (6th Cir. 1991), cert. denied, 112 S.Ct. 3028 (1992); Badger Meter v. Grinnell Corp., 13 F.3d 1135, 1152 (7th Cir. 1994) ("The weight to be assigned to each of these factors will differ according to the case."(citation omitted)); Qualitex Co. v. Jacobson Products Co., Inc., 13 F.3d 1297, 1305 (9th Cir. 1994) ("These factors are non-exclusive guidelines and are not to be applied as a rigid formula." (citation omitted)), rev'd on other grounds, 115 S.Ct. 1300 (1995); Payless Shoesource, Inc. v. Reebok International Ltd., 998 F.2d 985, 988 (10th Cir. 1993) ("This list is not exhaustive and the factors enumerated therein are interrelated, with no one

factor being dispositive." (citation omitted)); Brunswick Corp. v. Spinit Reel Co., 832 F.2d 513, 521 (10th Cir. 1987) ("Those elements are not, however, the only factors a court may consider and, indeed, are not the only factors the district court considered."); Bauer Lamp Co., Inc. v. Shaffer, 941 F.2d 1165, 1171 (11th Cir. 1991).

An analysis of the factors is not an exact science, susceptible to rigid formulas. The factors are to be used as tools in an analysis of the issue of likelihood of confusion. All Circuits, the Third Circuit among them, have emphasized, deemphasized, discarded or added factors as required by specific facts.

The Third Circuit was consistent with the other Circuits in its application of the Scott factors to this case. In the context of the facts, it

weighed all the factors, assigning more or less weight to some and discarding others.

Petitioner seeks to characterize the Third Circuit's analysis of the facts of this trade dress product configuration case as an "abandonment of the traditional Scott factors". (Pet'r Br. at 7.) As the Third Circuit's detailed analysis of the Scott factors demonstrates, there was no abandonment of that test.

Petitioner's quarrel actually is with the weight that the Third Circuit ascribed to certain factors in this case, not that the circuit court "abandoned" the Scott factors altogether.

For just one example, petitioner claims that the Third Circuit held that the substantial similarity of the product configurations had no impact. (Pet'r Br. at 14.). Rather, the Circuit gave weight

to the similarity of the product configurations but concluded, "the similarity of the product designs does not alone give rise to a strong inference of likelihood of confusion." (Pet'r App. at 36a.) The factors which the Third Circuit viewed, as counterweight to the similarity of the products, were labeling, sophistication of the purchasers and the manner in which the valves are sold. (Pet'r App. at 45a.)

Contrary to petitioner's analysis, other Circuits have given dispositive weight to such factors in product configuration cases. See Blue Bell Bio-Medical v. Cin-bad, Inc., 864 F.2d 1253, 1260 (5th Cir. 1989) ("In addition, the prominent labels on both carts do much to dispel any potential confusion."); Sno-Wizard Mfg., 791 F.2d at 429 ("[C]onfusion was unlikely in that the 'origin of each machine is apparent from

bold lettering appearing on each door.'" (citation omitted)); Bose Corp. v. Linear Design Labs, Inc., 467 F.2d 304, 309 (2d Cir. 1972) ("The presence of its name on the product goes far to eliminate confusion of origin." (footnote omitted)); Fisher Stoves, Inc. v. All Nighter Stove Works, 626 F.2d 193, 194-195 (1st Cir. 1980) ("Each manufacturer displayed its name and logo prominently on the door of the front of the stove, clearly identifying its origin. ... In the case of a relatively high-priced, single purchase article, however, 'there is hardly likelihood of confusion or palming off when the name of the manufacturer is clearly displayed.'" (citation omitted)); General Mills, Inc. v. Kellogg Co., 824 F.2d 622, 627 (8th Cir. 1987); L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117, 1134 (Fed. Cir. 1993) ("We conclude that the conspicuous

and permanent placement of the trademarks of L.A. Gear as well as the copyist, and the sophistication of purchasers of fashion athletic shoes, clearly outweigh the similarities in the shoe design, insofar as consumer confusion as to source is avoided."), cert. denied, 114 S.Ct. 291 (1993); Interpart Corp. v. Italia, 777 F.2d 678, 684 (Fed. Cir. 1985).

As another example, without citation, petitioner mischaracterizes the Third Circuit's analysis of the actual confusion factor as a new test claiming that "even evidence of actual confusion may not assist a plaintiff..." (Pet'r Br. at 19.) Indeed, the rule that confusion is relevant only where the purchaser was acting with the care expected of buyers purchasing the type of goods at issue is old and well-recognized among the circuit courts. See generally

Restatement (Third) Unfair Competition § 20 Cmt. h (1993).

Lastly, petitioner in addressing the particular environment in which the valves of the parties are employed, that is, offshore oil platforms, (Pet'r Br. at 23-25), seeks to add another factual test to the Scott factors by giving greater weight to the marketing considerations, in this case the environment in which the valves are sold and used. Petitioner suggests that the Third Circuit ignored this factor, (Pet'r Br. at 25), when the court expressly considered same. (Pet'r App. at 45a.)

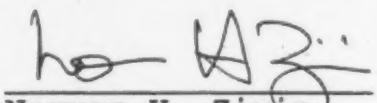
Merely because petitioner believes there should have been a different factual conclusion does not mean there is a conflict among the circuit courts. The circuit courts are in concert with respect to their use of the same analytical tools to determine whether

likelihood of confusion exists. In some instances, they may have found likelihood of confusion but that is a consequence of different facts, not of different standards for ascertaining likelihood of confusion.

IV. CONCLUSION

For the above reasons, the petition for writ of certiorari to the Court of Appeals for the Third Circuit should be denied.

Respectfully submitted,



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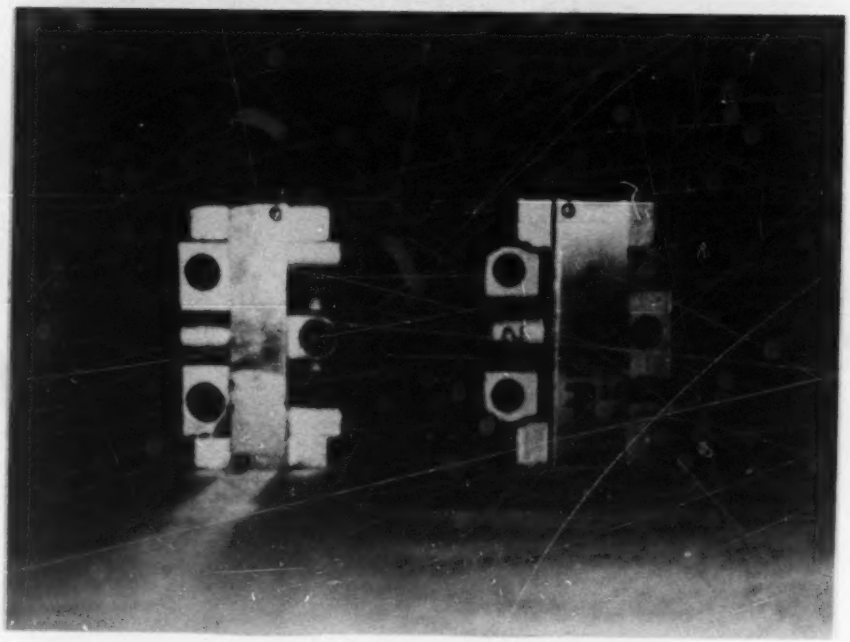
APPENDIX



VERSA
B-316

BIFOLD
DOMINO JUNIOR